H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

September 30, 2023

With Independent Auditor's Reports on Financial Statements

BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
Montgomery, Alabama

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BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Alabama Community College System and the President of
H. Councill Trenholm State Community College
Montgomery, Alabama

Report on the Audit of the Financial Statements

We have audited the financial statements of H. Councill Trenholm State Community College ("the College"), a component unit of the State of Alabama, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of H. Councill Trenholm State Community College as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) on pages 41 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of College Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Birmingham, Alabama
January 16, 2024

Banks, Finley White & Co.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

INTRODUCTION

The following discussion presents an overview of the financial position and financial performance of H. Councill Trenholm State Community College during the fiscal year ended September 30, 2023, with comparative information for 2022 and 2021. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

History, Mission and Governance

H. Councill Trenholm State Community College (hereinafter "the College") is an associate degree granting institution committed to provide accessible educational opportunities for career preparation, advancement, and lifelong learning in Central Alabama. The College is dedicated to providing a dynamic learner-centric environment where excellence in teaching, learning, and serving improves the lives of its students and the community it serves. The College seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws.

The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award the Associate in Arts, Associate in Science, and Associate in Applied Science degrees. The Associate Degree and Practical Nursing Programs are approved by the ABN and the ACEN. Its Health Information Technology Program is accredited by the CAHIIM and its Respiratory Therapy Program holds continuing accreditation from the CoARC.

The College provides programs in the areas of academics, health services, technical, corporate partnerships and apprenticeships, e-learning, high school programs, workforce development, audit education, and community education programs.

The College is governed by the Alabama Community College System Board of Trustees, who play a critical role in the education of hundreds of thousands of adults each year. The Trustees serve as guardians for the Alabama Community College System's missions and goals, with the Governor serving as chair of the Board by virtue of elected office. Remaining board members are appointed from eight districts, with one statewide member and an ex-officio liaison from the State Board of Education.

The board member duties include:

- designating rules and regulations for the government of community and technical colleges,
- prescribing the course of study to be offered and the conditions for granting certificates, diplomas and/or degrees,
- accepting gifts, donations, property, and devices for the benefit of community and technical colleges, and;
- establishing a performance-based allocation process that is equitable and compatible with the services and programs offered by each individual campus.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

Overview of Financial Statements

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements focus on the financial position, results of operations, and cash flows of the College as a whole.

The accompanying documentation presents the College's financial statements for fiscal years 2023, 2022, and 2021. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of financial activities for the years ended September 30, 2023, 2022 and 2021.

An overview of each statement for the College is presented herein along with a financial analysis of the transactions impacting each statement. When appropriate, comparative financial information is presented in the understanding of this analysis.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College at September 30, 2023. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and non-current) and deferred outflows of resources, as well as liabilities (current and non-current) and deferred inflows of resources with the difference between the two reported as net position. The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. Readers are able to determine the consumption of net position in one period attributable to future periods, deferred outflows of resources. They are also able to determine how much the College owes vendors, investors, and lending institutions. Readers are able to determine the acquisition of net position in one period attributable to future periods, deferred inflows of resources. In summary, the Statement of Net Position provides a picture of the College's assets and deferred outflows of resources in excess of its liabilities and deferred inflows of resources and the availability of the excess for expenditure by the College.

Net Position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the College's equity in property, plant, and equipment. The next category is Restricted Net Position, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable Restricted Net Position is available for expenditure by the College, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position, which is available to the College for any appropriate purpose.

The condensed statements of net position at September 30, 2023, 2022 and 2021, follow:

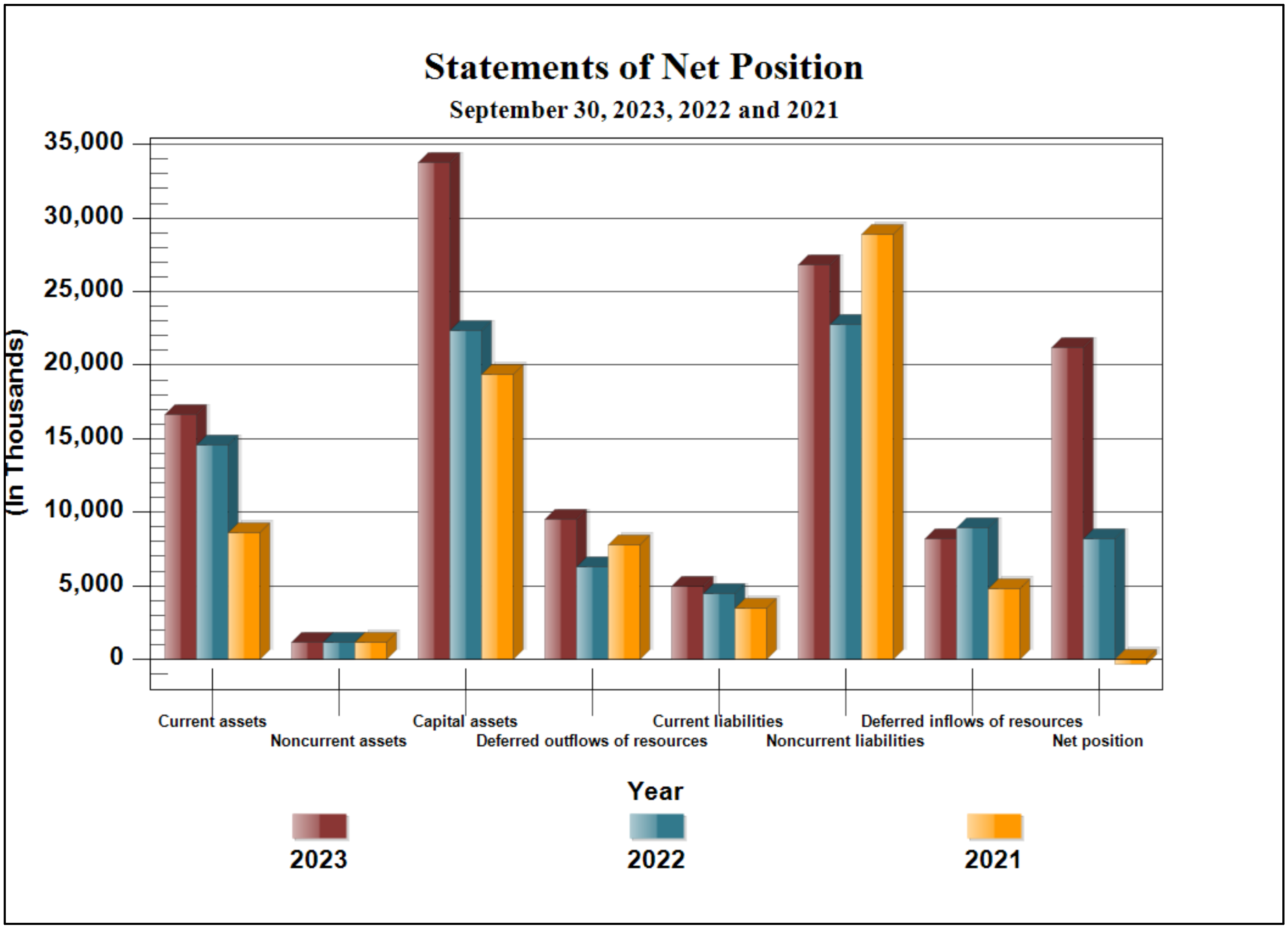
Summary Statements of Net Position

	2023	2022	2021
ASSETS			
Current assets	$ 16,660,007	$ 14,598,273	$ 8,576,323
Noncurrent assets	1,155,712	1,125,055	1,122,816
Capital assets	33,770,659	22,316,678	19,371,226
Total assets	51,586,378	38,040,006	29,070,365
Deferred outflows of resources:			
Related to defined benefit pension plan	6,857,818	3,671,310	4,520,280
Related to other postemployment benefits	2,641,220	2,658,698	3,229,590
Total deferred outflows of resources	9,499,038	6,330,008	7,749,870
Total assets and deferred outflows of resources	$ 61,085,416	$ 44,370,014	$ 36,820,235
LIABILITIES			
Current liabilities	$ 4,956,307	$ 4,500,302	$ 3,452,366
Noncurrent liabilities	26,807,318	22,760,520	28,902,853
Total liabilities	31,763,625	27,260,822	32,355,219
Deferred inflows of resources:			
Related to defined benefit pension plan	1,282,000	4,247,000	358,000
Related to other postemployment benefits	6,875,858	4,668,624	4,428,774
Total deferred inflows of resources	8,157,858	8,915,624	4,786,774
NET POSITION			
Net investment in capital assets	28,607,152	17,130,857	14,011,817
Unrestricted	(7,443,219)	(8,937,289)	(14,333,575)
Total net position	21,163,933	8,193,568	(321,758)
Total liabilities, deferred inflows of resources and net position	$ 61,085,416	$ 44,370,014	$ 36,820,235

Changes in Assets, Liabilities and Net Position

The College's total Net Position increased by $12,970,365 during the year ended September 30, 2023. The increase is attributable almost exclusively to a year over year increase in nonoperating revenues, which consisted of an increase of over $1,369,643 in state appropriations and an increase of approximately $4,030,018 in federal grants revenue. This increase in federal grants revenue was due to continued support provided by the Higher Education Emergency Relief Fund (HEERF) in response to the adverse effects of the COVID-19 pandemic. This support provided funding for several large capital projects during the fiscal year and will continue to do so in the coming fiscal year.

The following is a graphic presentation of the College's Statements of Net Position as of September 30, 2023, 2022, and 2021:



Statement of Revenues, Expenses and Changes in Net Position

Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Readers of these financial statements should gain an understanding of the impact of the presentation of state appropriations as non-operating revenues as required by the Governmental Accounting Standards Board. The impact of the presentation is that the College continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the

College's administration. The operating loss presented in these financial statements should be viewed in the appropriate context.

The College considers state appropriations to be an integral component of the fiscal viability of the College for without these appropriations the College would have severe difficulty in achieving its mission of providing accessible educational opportunities. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2023.

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2023, 2022 and 2021, follow:

Summary Statements of Revenues, Expenses, and Changes in Net Position

	2023	2022	2021
Operating Revenues	$ 8,587,420	$ 8,221,627	$ 7,029,846
Operating Expenses	27,148,596	28,377,917	27,803,590
Operating Loss	(18,561,176)	(20,156,290)	(20,773,744)
Net Non-operating Revenues and Expenses	31,531,541	28,671,616	19,369,237
Increase (Decrease) in Net Position	12,970,365	8,515,326	(1,404,507)
Net position-beginning of the year	8,193,568	(321,758)	1,082,749
Net position-end of the year	$ 21,163,933	$ 8,193,568	$ (321,758)

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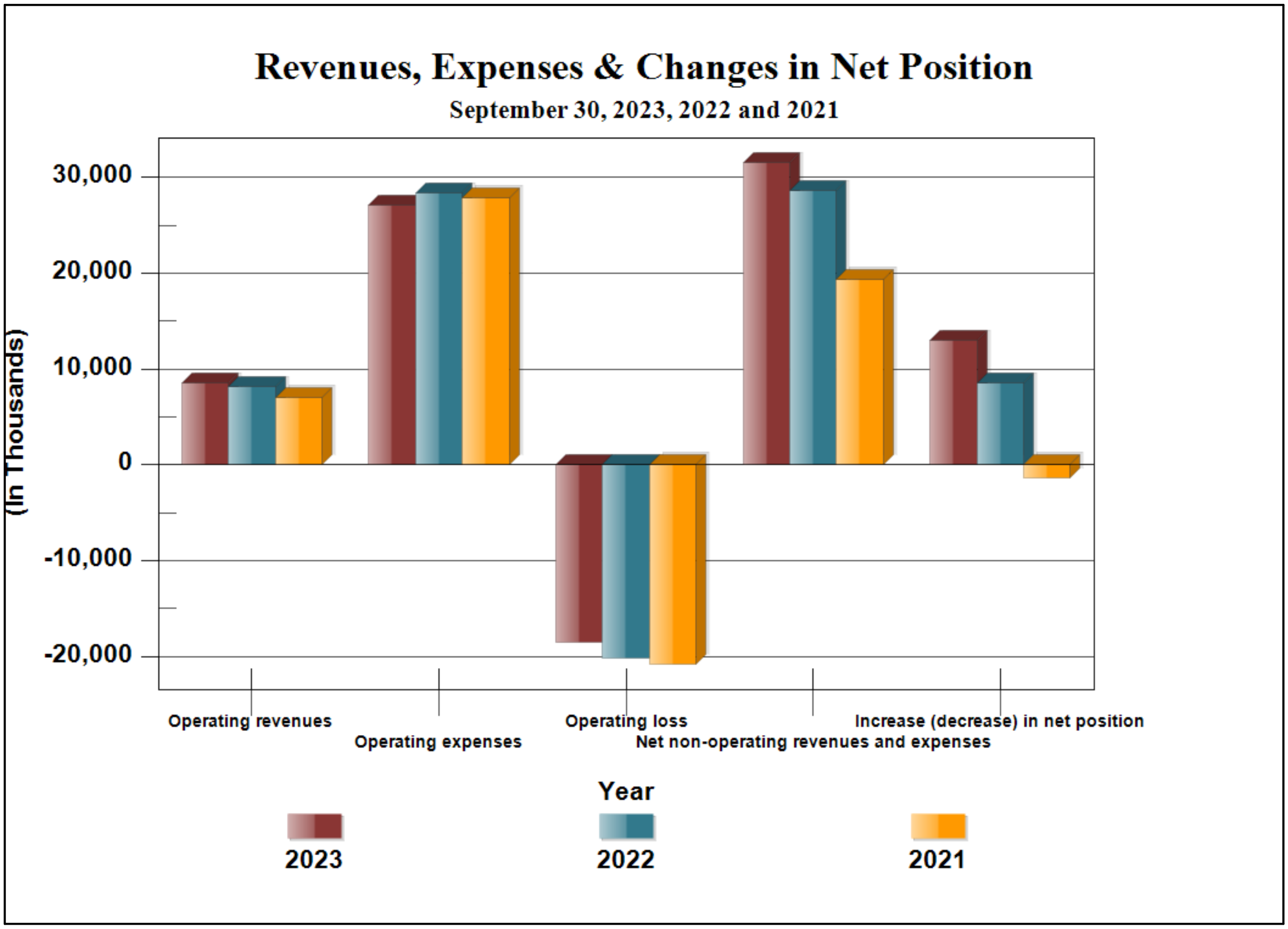
H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

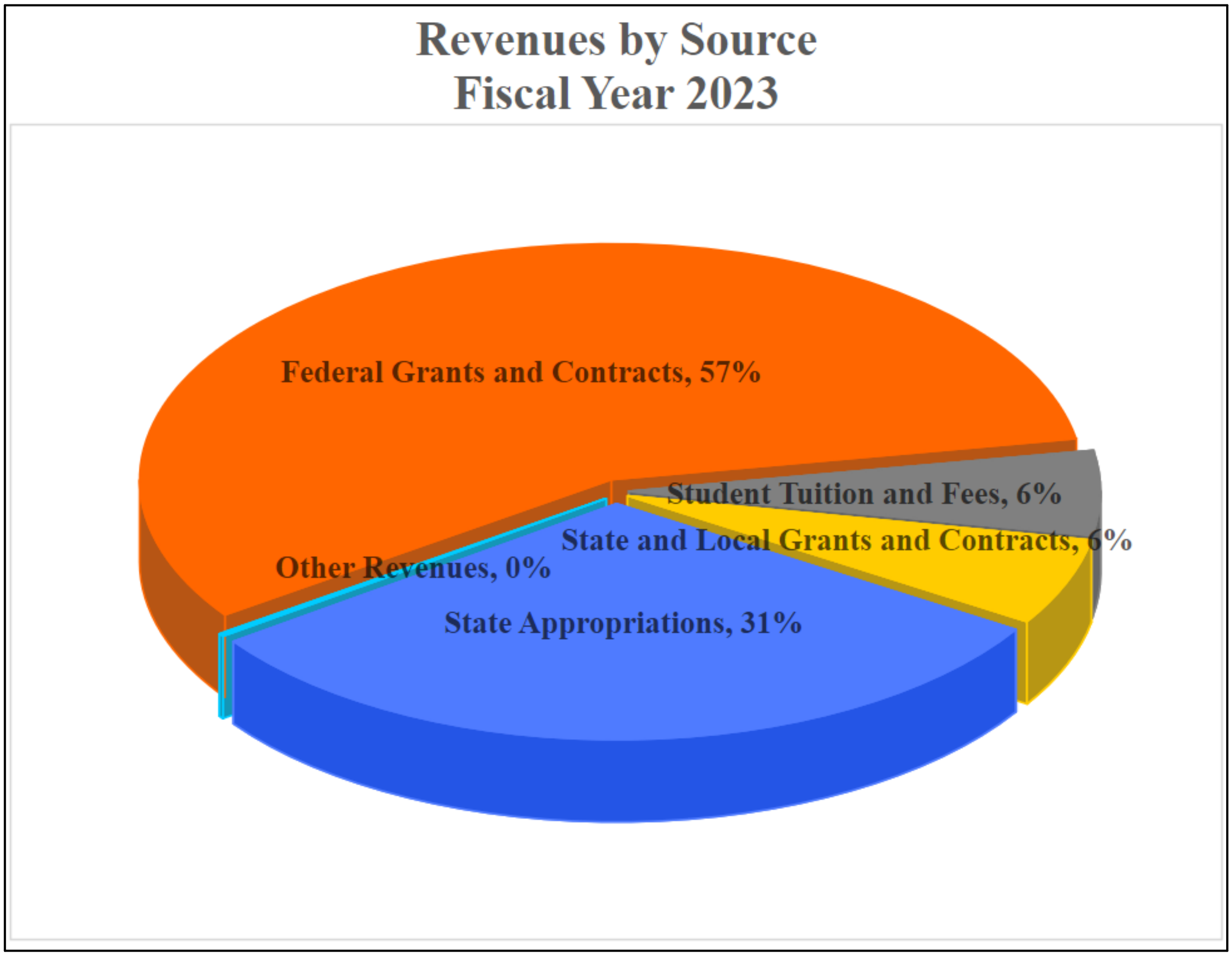
The following is a graphic presentation of the College's Statement of Revenues, Expenses & Changes in Net Position for the years ended September 30, 2023, 2022, and 2021:



Operating Revenues for the year ended September 30, 2023, increased $365,793 compared to the previous year. State grants and contracts increased over the previous year by $367,318. In addition, federal operating grants increased by $1,108,763. While gross student tuition and fees increased slightly, the student tuition and fees (net of scholarship allowances) decreased by $1,267,409 due to the adoption of an ACCS standardized calculation formula for tuition discount allowance and the resulting increase to that allowance amount. All other operating revenue sources were relatively stable for the year.

Operating Expenses for the year ended September 30, 2023, decreased approximately 4% in comparison to the prior year. Overall, operating expenses remained relatively unchanged from the prior year, with the exceptions being a decrease in Student Aid (due to the exhaustion of funds provided by HEERF for that specific purpose) and an increase in Institutional Support as direct pandemic response expenses increased from the prior year. Expenses for the nine major functions presented changed as follows: Instruction increased 5%; Academic Support decreased 5%; Student Services increased 17%; Institutional Support decreased 66%; Operation and Maintenance of Plant expenses decreased 8%; Student Aid decreased 64%; and Depreciation increased 10%. The College's enrollment increased slightly in 22-23, as impacts from the COVID-19 pandemic began to subside.

The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2023:



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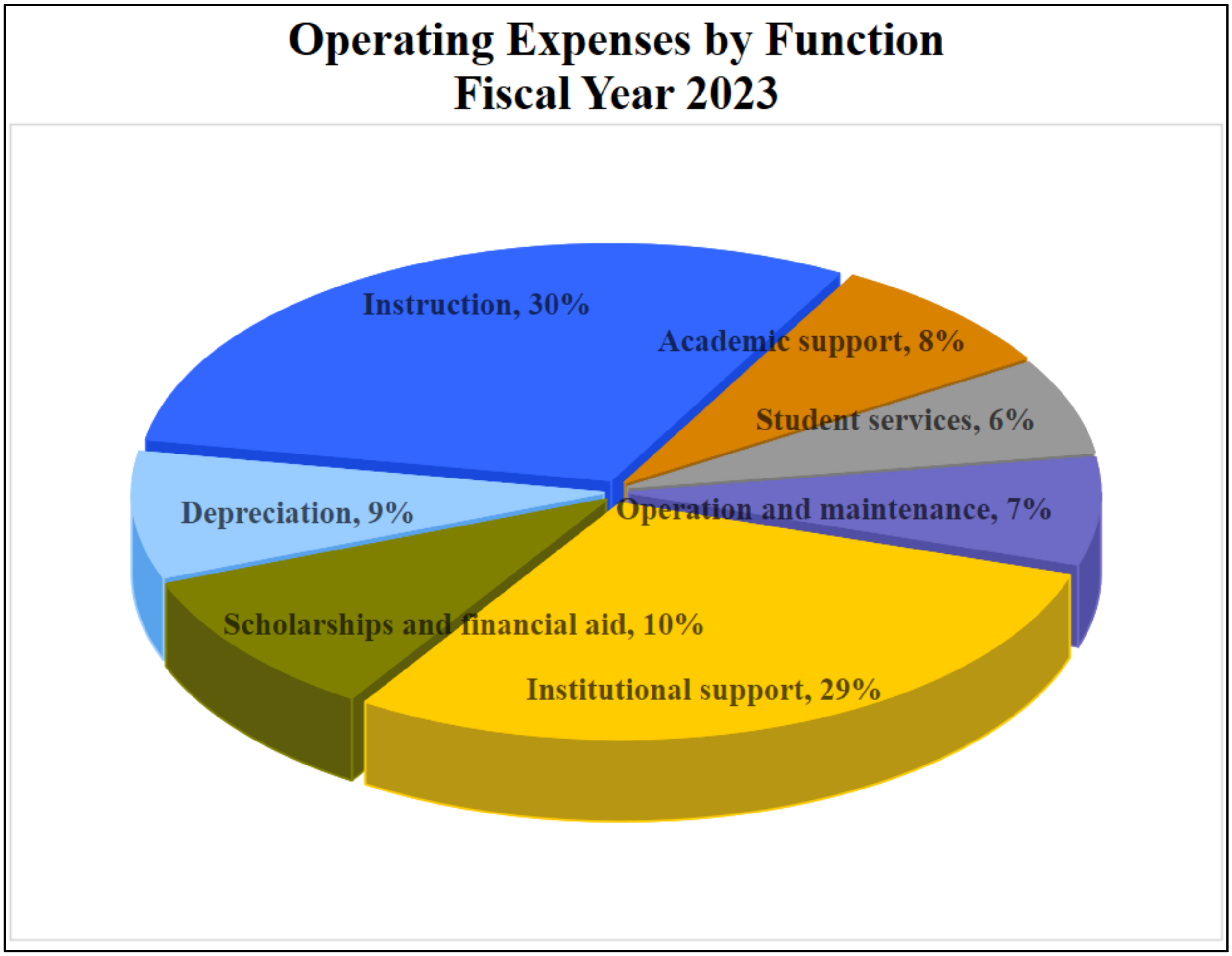
The following is a graphic presentation of operating expenditures by function for the fiscal year ended September 30, 2023:



Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The condensed Statements of Cash Flows for the years ended September 30, 2023, 2022 and 2021 is presented below:

Summary Statements of Cash Flows
(in thousands)

	2023	2022	2021
Cash Flows from Operating Activities	$ (13,030)	$ (22,914)	$ (20,179)
Cash Flows from Noncapital Financing Activities	31,427	28,787	21,678
Cash Flows from Capital and Related Financing Activities	(13,939)	(5,233)	(587)
Cash Flows from Investing Activities	175	17	4
Net Change in Cash	4,633	657	916
Cash, Beginning of Year	4,676	4,019	3,103
Cash, End of Year	$ 9,309	$ 4,676	$ 4,019

Economic Outlook

As is the case for our nation, state, citizens and businesses, the effects of the COVID-19 pandemic continue to be the single most influential item when discussing economic outlook. The state budget estimates for fiscal year 2023 for Education Trust Fund tax revenues again appear to be very promising and in excess of projections, but the general economic outlook is less optimistic. Inflation continued to be at 40 year highs for the majority of calendar year 2023, and a recession and/or deflation appears to be imminent. Given the state budget estimates for fiscal year 2023, it is expected that state appropriations will at least remain static and may very well increase for the coming fiscal year. However, given the current inflation pressures and fears of a looming recession, the College administration is keeping this risk of static or decreased state funding in the forefront of its planning. Federal pandemic support through the Higher Education Emergency Relief Fund (HEERF) expired on June 30, 2023, but the College was granted a 12 month extension on expending these funds for non-capital projects and a longer extension for capital projects in progress at the expiration date. The College will continue to utilize HEERF funding for lost revenues and any other eligible uses until the expiration of the extensions. While the College anticipates that enrollment numbers will slowly rebound as the public returns to normal operations in the midst of a post-pandemic world, it is anticipated that enrollment numbers will be below the pre-pandemic levels for several years to come. Historically, downturns in the economy lead to increases in the College's enrollment, and this could be beneficial in returning enrollment numbers to pre-pandemic levels. In spite of the potential negative economic outlook, the College administration expects to sustain positive financial stability during the years ahead. As evidences by the comparative financial statements presented (as well as the financial statements from recent prior years), the College administration emphasizes fiscal responsibility in preparing its budgets and adhering to those budgets throughout the year. As the College continues to grow with the SACSCOC accreditation, operating costs will increase to meet the demand of increased enrollment and additional program offerings. The College plans to utilize funds from the Title III-B grant to initially develop new program offerings. With rebounding enrollments and the continued support of state appropriations and federal HEERF funding, the College has a sound fiscal plan to operate without the use of its reserves to meet the College's needs in the next two years. The College is not aware of any currently known acts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year. The College anticipates the next two fiscal years will be challenging; however, the administration will maintain a close watch over resources to ensure the College's ability to respond proactively to internal and external issues, particularly as related to funding.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,308,552	$ 4,675,895
Accounts receivable, net	7,084,959	9,820,865
Other current assets	266,496	101,513
Total current assets	16,660,007	14,598,273
Noncurrent assets:		
Long-term investments	1,155,712	1,125,055
Capital assets:		
Land	3,502,564	474,470
Improvements other than building	6,588,335	6,588,335
Buildings and building alterations	26,813,549	26,813,549
Equipment and furniture	12,011,665	11,148,705
Library holdings	774,147	739,049
Leased right of use assets	1,049,710	435,756
Construction in progress	10,336,929	1,262,332
Less: Accumulated depreciation	(27,306,240)	(25,145,518)
Total capital assets, net of depreciation	33,770,659	22,316,678
Total noncurrent assets	34,926,371	23,441,733
Total assets	51,586,378	38,040,006
Deferred outflows of resources:		
Pension	6,857,818	3,671,310
Other postemployment benefits (OPEB)	2,641,220	2,658,698
Total deferred outflows of resources	9,499,038	6,330,008
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,173,998	1,808,039
Deposit liabilities	247,968	268,847
Unearned revenue	1,871,701	1,972,828
Compensated absences	48,840	41,655
Lease payable	372,537	176,619
Bonds payable	241,263	232,314
Total current liabilities	4,956,307	4,500,302
Noncurrent liabilities:		
Compensated absences	702,548	599,185
Lease payable	78,395	64,201
Bonds payable	4,629,567	4,870,660
Net pension liability	19,612,000	12,256,000
Net OPEB liability	1,784,808	4,970,474
Total noncurrent liabilities	26,807,318	22,760,520
Total liabilities	31,763,625	27,260,822

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONT'D)
September 30, 2023 and 2022

	2022	2021
Deferred inflows of resources		
Pension	1,282,000	4,247,000
Other postemployment benefits (OPEB)	6,875,858	4,668,624
Total deferred inflows of resources	8,157,858	8,915,624
NET POSITION		
Net investment in capital assets	28,607,152	17,130,857
Unrestricted	(7,443,219)	(8,937,289)
Total net position	$ 21,163,933	$ 8,193,568

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2023 and 2022

	2023	2022
REVENUES		
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $5,329,066 and $3,980,353 for 2023 and 2022, respectively)	$ 2,210,428	$ 3,477,837
Federal grants and contracts	4,021,299	2,912,536
State grants and contracts	1,986,112	1,618,794
Local grants and contracts	288,804	152,460
Sales and services of educational departments	41,814	-
Auxiliary enterprises	113	-
Nongovernmental grants and contracts	38,850	60,000
Total operating revenues	8,587,420	8,221,627
EXPENSES		
Operating expenses:		
Instruction	8,212,988	7,827,398
Public service	-	609
Academic support	2,208,248	2,323,162
Student services	1,755,831	1,500,762
Operation and maintenance	1,981,422	2,161,726
Institutional support	7,914,073	4,755,724
Scholarships and financial aid	2,735,124	7,687,187
Depreciation	2,340,910	2,121,349
Total operating expenses	27,148,596	28,377,917
Operating income (loss)	(18,561,176)	(20,156,290)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	11,897,508	10,527,865
Federal grants	19,557,805	15,527,787
Investment income (net of investment expense)	205,324	18,988
Gifts	500	8,000
Bond surety fee	(43,043)	(29,453)
Other nonoperating revenue (expense)	13,611	2,708,121
Interest on indebtedness	(100,164)	(89,692)
Net nonoperating revenues	31,531,541	28,671,616
Changes in net position	12,970,365	8,515,326
Total net position - beginning of the year	8,193,568	(321,758)
Total net position - end of the year	$ 21,163,933	$ 8,193,568

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,043,523	$ 2,840,991
Federal grants and contracts	8,118,289	360,009
Payments to suppliers	(7,084,227)	(4,854,036)
Payments to employees	(11,064,867)	(10,342,383)
Payments for benefits	(3,349,841)	(3,230,916)
Payments for scholarships	(2,735,124)	(7,687,187)
Payments for auxiliary enterprises	113	-
Payments for sales and services of educational activities	41,814	-
Net cash provided (used) by operating activities	(13,030,320)	(22,913,522)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	11,897,508	10,527,865
Federal grants	19,557,805	17,804,508
Bond surety fee	(43,043)	(46,046)
Other nonoperating revenue	15,110	500,692
Net cash provided (used) by noncapital financing activities	31,427,380	28,787,019
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(13,794,891)	(4,691,337)
Principal paid on capital debt	(613,843)	(399,935)
Interest paid on capital debt	(143,290)	(141,127)
Proceeds from capital debt	613,954	-
Other capital and related financing	(1,000)	(1,000)
Net cash provided (used) by capital and related financing activities	(13,939,070)	(5,233,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	205,324	16,749
Purchase of investments	(30,657)	-
Net cash provided (used) by investing activities	174,667	16,749
Net increase (decrease) in cash and cash equivalents	4,632,657	656,847
Cash and cash equivalents, beginning of the year	4,675,895	4,019,048
Cash and cash equivalents, end of the year	$ 9,308,552	$ 4,675,895
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (18,561,176)	$ (20,156,290)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,340,910	2,121,349
Changes in assets and liabilities:		
Receivables, net	2,735,907	(5,289,096)
Other assets	(144,000)	(76,007)
Deferred outflows	(3,169,030)	1,419,863
Accounts payable	365,958	523,864
Deposits held for others	(20,879)	(22,615)
Unearned revenue	(101,127)	367,091
Compensated absences	110,549	53,523
Net pension liability	7,356,000	(4,751,000)
Net OPEB liability	(3,185,666)	(1,233,054)
Deferred inflows	(757,766)	4,128,850
Net cash provided (used) by operating activities	$ (13,030,320)	$ (22,913,522)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of H. Councill Trenholm State Community College (the "College") are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Statutes authorize the College to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

Receivables

Accounts receivable relate to amounts due from federal grants, state grants, third party tuition, and student receivables. The receivables are shown net of allowance for doubtful accounts.

Capital Assets

Capital assets, other than intangibles, with a unit cost of over $5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is $1 million and $100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment > $25,000	Straight-Line	10 years
Equipment < $25,000	Straight-Line	5 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

As lessee, the College recognizes a lease liability and an intangible right-to-use lease asset in the financial statements and recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the College initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College uses its estimated incremental borrowing rate as the discount rate for leases.

The College's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds.

Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ***Net Investment in Capital Assets*** - Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- ***Restricted:***
  - ***Nonexpendable*** - Net position subject to externally imposed stipulations that they be maintained permanently by the College.

  - ***Expendable*** - Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- ***Unrestricted*** - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs
The College participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance).*

Scholarship Allowances and Student Aid
Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

Implementation of New Accounting Pronouncements
During the current fiscal year, the College implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- *GASB Statement No. 96, Subscription-based information technology arrangements*
- *GASB Statement No. 98, The Annual Comprehensive Financial Report*
- *GASB Statement No. 99, Omnibus 2022*

Future Governmental Accounting Standards Board Statements
The GASB issued the following new accounting pronouncements which the College may be required to implement subsequent to the 2023 fiscal year:

- *GASB Statement No. 100* - In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No. 100 is effective for fiscal years beginning after June 15, 2023. The College has elected not to early implement this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- *GASB Statement No. 101* - In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain required disclosures. GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The College has elected not to early implement this statement.

The College has not yet determined the impact of these standards on the financial statements. When they become effective, application of these standards may restate portions of these financial statements.

Change in Presentation

Beginning October 1, 2022, the accounting presentation for uncollectible student accounts has been adjusted in accordance with GASB Implementation Guide 2015-1, which states that revenues in proprietary funds should be reported net of all related allowances--sales discounts and allowances and amounts pertaining to uncollectible accounts. As a result, the College is adjusting the presentation of its student tuition and fee revenues to reflect the net of the increase or decrease in the estimate of uncollectible accounts and the net decrease due to scholarship allowances. This change in presentation, which has no effect on the College's beginning net position, is in accordance with generally accepted accounting principles. The change in presentation is intended to provide a more accurate representation of the College's financial operational activities.

Change in Accounting Estimates

Beginning October 1, 2022, the accounting estimate for Allowance for Doubtful Accounts has been reevaluated. As a result, the College is adjusting the allowance to reflect the expected collectability of outstanding receivables more accurately. This change in estimate is in accordance with generally accepted accounting principles and is intended to provide a more accurate representation of the College's financial position.

The change in estimate resulted in an increase to Allowance for Doubtful Accounts and a decrease to Net Accounts Receivable in the amount of $246,970.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975,*** Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONT'D)

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit rating as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U.S. government are excluded from this requirement. Permissible investments include: 1) U.S. Treasury bills, notes, bonds, and stripped Treasuries 2) U.S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

The College’s portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs.

In order to diversify the portfolio’s exposure to concentration risk, the portfolio’s maximum allocation to specific product sectors is, 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped treasuries shall never exceed 50 percent of the institution’s total investment portfolio. Maximum maturity of these securities shall be ten years, and 2) U. S. Agency securities shall have limitations of 50 percent of the College’s total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program.

CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution’s total investment portfolio. The aggregate average life maturity for all holdings of MBSs shall not exceed seven years, while the maximum average life maturity of any one security shall noexceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution’s total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The College shall not invest in stripped mortgage-backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONT'D)

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the "Alabama Uniform Prudent Management of Institutional Funds Act", Code of Alabama 1975, Section 19-3C-1 and following.

The Statement of Net Position investment classification consists of a non-negotiable certificate of deposit in the amount of $1,155,712. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note.

NOTE 3 - RECEIVABLES

Receivables are reported net of uncollectible amounts and are summarized as follows:

Accounts Receivable	**2023**	**2022**
Federal	$ 4,456,982	$ 6,901,691
State	894,048	819,474
Local	138,833	69,300
Third Party	582,706	881,359
Other	745,501	192,325
Total accounts receivable	6,818,070	8,864,149
Student Receivables		
Current	1,338,847	1,781,704
Less: Allowance for doubtful accounts	(1,071,958)	(824,988)
Total student receivable, net	266,889	956,716
Total receivables	$ 7,084,959	$ 9,820,865

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NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 474,470	$ 3,028,094	$ -	$ -	$ 3,502,564
Improvements other than buildings	6,588,335	-	-	-	6,588,335
Buildings	14,737,803	-	-	-	14,737,803
Building alterations	12,075,746	-	-	-	12,075,746
Equipment	11,148,705	1,043,147	180,188	-	12,011,664
Library holdings	739,049	35,098	-	-	774,147
Lease right of use assets	435,756	613,954	-	-	1,049,710
Construction in process	1,262,332	9,074,597	-	-	10,336,929
Total	47,462,196	13,794,890	180,188	-	61,076,898
Less: Accumulated depreciation					
Improvements other than buildings	3,277,860	227,422	-	-	3,505,282
Buildings	9,099,547	338,531	-	-	9,438,078
Building alterations	4,582,293	532,376	-	-	5,114,669
Equipment	7,439,030	799,749	180,188	-	8,058,591
Library holdings	552,751	35,098	-	-	587,849
Lease right of use assets	194,037	407,734	-	-	601,771
Total accumulated depreciation	25,145,518	2,340,910	180,188	-	27,306,240
Capital assets, net	$ 22,316,678	$ 11,453,980	$ -	$ -	$ 33,770,658

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Reclassification/ Adjustments	Ending Balance
Land	$ 474,470	$ -	$ -	$ -	$ 474,470
Improvements other than buildings	6,588,335	-	-	-	6,588,335
Buildings	14,737,803	-	-	-	14,737,803
Building alterations	11,275,387	800,359	-	-	12,075,746
Equipment	9,545,517	2,583,736	(980,548)	-	11,148,705
Library holdings	737,273	1,776	-	-	739,049
Lease right of use assets	-	435,756	-	-	435,756
Construction in process	5,656	2,057,035	(800,359)	-	1,262,332
Total	43,364,441	5,878,662	(1,780,907)	-	47,462,196
Less: Accumulated depreciation					
Improvements other than buildings	3,048,755	229,105	-	-	3,277,860
Buildings	8,688,075	411,472	-	-	9,099,547
Building alterations	4,049,917	532,376	-	-	4,582,293
Equipment	7,673,831	734,245	(969,046)	-	7,439,030
Library holdings	532,637	20,114	-	-	552,751
Lease right of use assets	-	194,037	-	-	194,037
Total accumulated depreciation	23,993,215	2,121,349	(969,046)	-	25,145,518
Capital assets, net	$ 19,371,226	$ 3,757,313	$ (811,861)	$ -	$ 22,316,678

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Contributions

Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were $1,259,000 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the College reported a liability of $19,612,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College's proportion was 0.121960% which was a decrease of 0.003903% from its proportion measured as of September 30, 2021.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

For the year ended September 30, 2023, the College recognized pension expense of $1,258,818. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	$ 431	$ 476
Changes of assumptions	890	-
Net difference between projected and actual earnings on pension plan investments	3,935	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	343	806
Employer contributions subsequent to the measurement date	1,259	-
Total	$ 6,858	$ 1,282

The amount of $1,259,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending	(In Thousands)	
September 30, 2024	$	1,335
2025	$	963
2026	$	528
2027	$	1,491
2028	$	-
Thereafter	$	-

Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return(*)	7.45%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2021, valuation were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Mortality rates were based on the Pub-2010 Teacher tables, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback(-)	Adjustment to Rates
Service Retirees	Teacher Retiree-Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages <69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	15.00 %	2.80 %
U.S. Large Stocks	32.00 %	8.00 %
U.S. Mid Stocks	9.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	12.00 %	9.50 %
International Emerging Market Stocks	3.00 %	11.00 %
Alternatives	10.00 %	9.00 %
Real Estate	10.00 %	6.50 %
Cash Equivalents	5.00 %	2.50 %
Total	100.00 %	

*Includes assumed rate of inflation of 2.00%

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Sensitivity of the College's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Proportionate share of collective net pension liability	$ 25,377	$ 19,612	$ 14,756

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the ***Code of Alabama 1975,*** Section 16-25A-4, (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees.

Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975,*** Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan.

The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Contributions

The ***Code of Alabama 1975,*** Section 16-25A-8, and the ***Code of Alabama 1975,*** Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

OPEB Liabilities. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2023, the College reported a liability of $1,784,808 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the College's proportion was 0.10243103%, which was a decrease of 0.00623103% from its proportion measured as of September 30, 2021.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

For the year ended September 30, 2023, the College recognized OPEB expense of $(817,509) with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 81,858	$ 3,608,735
Changes of assumptions	1,447,723	2,597,896
Net difference between projected and actual earnings on OPEB plan investments	224,457	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	746,171	669,227
Employer contributions subsequent to the measurement date	141,011	-
Total	$ 2,641,220	$ 6,875,858

The $141,011 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ending	
September 30, 2024	$ (1,017,105)
2025	$ (1,136,730)
2026	$ (593,100)
2027	$ (530,349)
2028	$ (682,263)
Thereafter	$ (416,102)

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NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75% wage inflation
(2) Compounded annually, net of investment expense, and included inflation
(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.

The rate of mortality were based on the Pub-2010 Public Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% beginning with year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below:

Group	Membership Table	Set Forward(+)/Set back (-)	Adjustment to Rates
Active members	Teacher Retiree-Below Median	None	65%
Service Retirees	Contingent Survivor Below Median	Male: +2, Female: None	Male: 108% ages <63, 96% ages >67; Phasing down 63-67 Female: 112% ages <69, 98% >74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +2, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00 %	4.40 %
U.S. Large Stocks	38.00 %	8.00 %
U.S. Mid Stocks	8.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	15.00 %	9.50 %
Cash	5.00 %	1.50 %
Total	100.00 %	

* Geometric mean, includes 2.5% inflation.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare and Known decreasing to 3.50% for Medicare eligible	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare and Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare and Known decreasing to 5.50% for Medicare eligible
College's proportionate share of the collective net OPEB liability	$ 1,353,424	$ 1,784,808	$ 2,313,860

Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of collective net OPEB liability	$ 2,206,652	$ 1,784,808	$ 1,430,683

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 7 - HEALTH INSURANCE AND UNEMPLOYMENT COMPENSATION

Health Insurance

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied

NOTE 7 - HEALTH INSURANCE AND UNEMPLOYMENT COMPENSATION (CONT'D)

against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

(Note: If settlements have exceeded insurance coverage during any of the three previous fiscal years, it should be so stated. Also, if significant reductions in insurance coverage have occurred from previous years, a description, by major categories of risk, should be included.)

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

Unemployment Compensation

The College is liable for unemployment claims paid by the Unemployment Compensation Trust Fund which are attributable to service in the employ of the College. The College makes advance payment to this fund to meet this liability in accordance with the Unemployment Compensation Act of Alabama (Code of Alabama 1975, #25-4-1 through #25-4-148). At September 30th of each year, excess of advance payments over net unemployment compensation paid is due to the College from the Unemployment Compensation Trust Fund. Any excess of net unemployment compensation paid over advance payments results in a liability to the College which must be satisfied within ten days after the College is notified of the amount of the liability.

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2023, the College had been awarded approximately $35,062,338 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$ 4,945,000	$ -	$ 210,000	$ 4,735,000	$ 220,000
Premium	157,974	-	22,144	135,830	21,143
Total Bonds Payable	5,102,974	-	232,144	4,870,830	241,143
Other Liabilities:					
Lease Obligations	240,821	613,954	403,843	450,932	372,537
Compensated absences	640,838	110,550	-	751,388	48,840
Total Long-Term Liabilities	$ 5,984,633	$ 724,504	$ 635,987	$ 6,073,150	$ 289,983

NOTE 9 - LONG-TERM LIABILITIES (CONT'D)

Long-term liabilities activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$ 4,945,000	$ -	$ 210,000	$ 4,735,000	$ 220,000
Premium	157,974	-	22,144	135,830	21,263
Total Bonds Payable	5,102,974	-	232,144	4,870,830	241,263
Other Liabilities:					
Lease Obligations	240,821	613,954	403,843	450,932	-
Compensated absences	640,839	110,549	-	751,388	48,840
Total Long-Term Liabilities	$ 5,743,813	$ 724,503	$ 635,987	$ 6,073,150	$ 290,103

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds.

Principal and interest maturity requirements on bond debt are as follows:

Revenue Bonds			
Fiscal Year	**Principal**	**Interest**	**Total**
2023-2024	220,000	127,583	347,583
2024-2025	225,000	120,983	345,983
2025-2026	230,000	114,233	344,233
2056-2027	240,000	105,033	345,033
2027-2028	250,000	95,433	345,433
2028-2029	260,000	85,433	345,433
2029-2030	265,000	77,633	342,633
2030-2031	275,000	69,683	344,683
2031-2032	285,000	64,183	349,183
2032-2033	285,000	58,483	343,483
2033-2034	290,000	52,783	342,783
2034-2035	300,000	44,083	344,083
2035-2036	310,000	37,708	347,708
2036-2037	315,000	30,733	345,733
2037-2038	320,000	23,645	343,645
2038-2039	330,000	16,045	346,045
2039-2040	335,000	8,208	343,208
Total	$ 4,735,000	$ 1,131,885	$ 5,866,885

Pledged Revenues

The College has pledged student tuition and fee revenue to repay $5,150,000 in Revenue Bond Series 2020 issued in November 2020, for the purpose of redemption and prepayment of Revenue Bonds, Series 1995 and 2010, originally issued in aggregate principal amounts of $2,000,000 and $5,550,000, respectively and outstanding in the amounts of $590,000 and $4,910,000, respectively.

NOTE 9 - LONG-TERM LIABILITIES (CONT'D)

Future revenues in the amount of $5,866,885, are pledged to repay principal and interest on the bonds at September 30, 2023. These bonds are scheduled to mature in 2040.

Defeased Debt

On November 19, 2020, the College issued $5,150,000 in revenue bonds with 2% to 4% interest rate to refund the H. Councill Trenholm State Community College Revenue Series 1995 Bonds and Recovery Zone Economic Development Revenue Series 2010 Bonds. The Series 1995 Bond were outstanding in the amount of $590,000 and the Series 2010 Bond were outstanding in the amount of $4,910,000. The net proceeds of the 2020 Series Bonds, after payment of issuance costs, totaled $5,246,754. The proceeds from the new bond were placed with an escrow agent along with the remainder of the Series 1995 Bond Fund deposits of $159,785 and Series 1995 Maintenance Reserve deposits of $225,768 to provide for the redemption of the 1995 Bonds on February 1, 2021 and the 2010 Bonds on December 19, 2020.

The bonds were redeemed in an amount equal to 100% of the outstanding principal amount of the bonds plus accrued interest. As a result, the 1995 and 2010 Series Bonds were considered to be defeased. The related liabilities have been removed.

The current refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. However, due to the refunding, the College reduced its total debt service requirements by $1,004,178 which resulted in an economic gain of $541,329.

NOTE 10 - LEASES

Lease liability

For the years ended September 30, 2023 and 2022, the College's financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lesseee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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NOTE 10 - LEASES (CONT'D)

The College leases a builiding, office space and certain items of office equipment. These assets are recognized as right of use leased assets with a corresponding lease liability. The lease liability has been discounted ranging 0.25% - 2.71%, the stated interest rates on the lease contracts. Details for the assets and liabilities are as follows:

	2023	2022
Right of use assets	$ 1,049,710	$ 435,756
Less: accumulated amortization	(636,870)	(194,038)
Net right of use assets	$ 412,840	$ 241,718

Fiscal Years	Principal	Interest	Total
2023-2024	$ 372,537	$ 6,705	$ 379,242
2022-2024	78,395	354	78,749
Totals	$ 450,932	$ 7,059	$ 457,991

NOTE 11 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties.

The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $2 million per occurrence and is self-insured up to a maximum of $6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed $6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Dean of Business Services, Financial Aid Director, and all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

REQUIRED SUPPLEMENTARY INFORMATION

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY TEACHERS' RETIREMENT SYSTEM OF ALABAMA
September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	0.126196 %	0.130099 %	0.137489 %	0.130856 %	0.129024 %	0.122133 %	0.116333 %	0.127394 %	0.133789 %
College's proportionate share of the net pension liability	$ 19,612	$ 12,256	$ 17,007	$ 14,469	$ 12,828	$ 12,004	$ 12,594	$ 13,333	$ 12,154
College's covered payroll during the measurement period	$ 9,816	$ 9,446	$ 9,650	$ 9,312	$ 8,600	$ 8,125	$ 7,387	$ 8,034	$ 8,479
College's proportional share of the net pension liability as a percentage of payroll	200.00 %	129.75 %	176.24 %	155.38 %	149.16 %	147.74 %	170.49 %	165.96 %	143.34 %
Plan fiduciary net position as a percentage of the total pension liability	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to schedule:
Per GASB 82, which amends GASB 68 covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this Schedule is for the measurement period, which for the September 30, 2023 year is October 1, 2021 - September 30, 2022.

See Accompanying Notes to the Required Supplementary Information for Net Pension Liability.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
For the years ended September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,259	$ 1,141	$ 1,134	$ 1,168	$ 1,138	$ 1,037	$ 952	$ 877	$ 910
Contributions in relation to the contractually required contribution	1,259	1,141	1,134	1,168	1,138	1,037	952	877	910
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 10,279	$ 9,816	$ 9,651	$ 9,651	$ 9,312	$ 8,601	$ 8,125	$ 7,387	$ 8,034
Contributions as a percentage of covered payroll	12.25 %	11.62 %	11.75 %	12.10 %	12.22 %	12.06 %	11.72 %	11.87 %	11.33 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68 covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2023, the measurement period for covered payroll is October 1, 2022 through September 30, 2023.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
NET PENSION LIABILITY

NOTE 1 - CHANGES OF BENEFIT TERMS

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In 2021, the plan was amended to allow sick leave conversion for Tier II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member contribution rates were increased from 5.00%(6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. Members hired on or after January 1, 2013 (Tier II), are covered under a new benefit structure, as follows:

> (i) A service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).
>
> (ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest five years in the last 10 years of Creditable Service).
>
> (iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

NOTE 2 - CHANGES OF ASSUMPTIONS

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, include a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

In 2018, the discount rate was changed from 7.75% to 7.70%.

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality as changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted

NOTE 2 - CHANGES OF ASSUMPTIONS (CONT'D)

105% for males and 120% for females. In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted tomore closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	0.102431 %	0.096200 %	0.095588 %	0.111188 %	0.104177 %	0.096521 %
College's proportionate share of the net OPEB liability	$ 1,785	$ 4,970	$ 6,204	$ 4,195	$ 8,562	$ 7,169
College's covered payroll during the measurement period	$ 9,628	$ 9,446	$ 9,248	$ 9,683	$ 8,762	$ 8,135
College's proportional share of the net OPEB liability as a percentage of its covered payroll	18.54 %	52.61 %	67.08 %	43.32 %	97.72 %	88.12 %
Plan fiduciary net position as a percentage of the total OPEB liability	48.39 %	27.11 %	19.80 %	28.14 %	14.81 %	15.37 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

See Accompanying Notes to the Required Supplementary Information for Other Postemployment Benefits.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the years ended September 30*
(Dollar Amount In thousands)

	2023	2022	2021	2020	2019	2019
Contractually required contribution	$ 141	$ 193	$ 162	$ 202	$ 315	$ 263
Contributions in relation to the contractually required contribution	141	193	162	202	315	263
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 10,141	$ 9,628	$ 9,446	$ 9,248	$ 9,683	$ 8,762
Contributions as a percentage of covered employee payroll	1.39 %	2.00 %	1.72 %	2.18 %	3.25 %	3.00 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

NOTE 1 - CHANGES IN ACTUARIAL ASSUMPTIONS

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

NOTE 2 - RECENT PLAN CHANGES

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

NOTE 3 - METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2019, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medical Eligible	4.75%
Year of Ultimate Trend Rate:	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

(**) Initial Medicare claims are set based on scheduled increases through plan year 2022

OTHER INFORMATION

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
COLLEGE OFFICIALS
October 1, 2022 through September 30, 2023

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Kemba Chambers	President
Brian N. Harrison, CPA	Regional Chief Financial Officer – ACCS

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

September 30, 2023 and 2022

With Independent Auditor's Reports on Financial Statements

and Report on Federal Awards in Accordance with the Uniform Guidance

September 30, 2023

BANKS, FINLEY, WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
Montgomery, Alabama

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BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Alabama Community College System and the President of
H. Councill Trenholm State Community College
Montgomery, Alabama

Report on the Audit of the Financial Statements

We have audited the financial statements of H. Councill Trenholm State Community College ("the College"), a component unit of the State of Alabama, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of H. Councill Trenholm State Community College as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) on pages 41 through 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of College Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Birmingham, Alabama
January 16, 2024

Banks, Finley White & Co.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

INTRODUCTION

The following discussion presents an overview of the financial position and financial performance of H. Councill Trenholm State Community College during the fiscal year ended September 30, 2023, with comparative information for 2022 and 2021. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

History, Mission and Governance

H. Councill Trenholm State Community College (hereinafter "the College") is an associate degree granting institution committed to provide accessible educational opportunities for career preparation, advancement, and lifelong learning in Central Alabama. The College is dedicated to providing a dynamic learner-centric environment where excellence in teaching, learning, and serving improves the lives of its students and the community it serves. The College seeks to maintain a sound fiscal foundation to support its mission in addition to providing responsible stewardship of public funds in compliance with state laws.

The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award the Associate in Arts, Associate in Science, and Associate in Applied Science degrees. The Associate Degree and Practical Nursing Programs are approved by the ABN and the ACEN. Its Health Information Technology Program is accredited by the CAHIIM and its Respiratory Therapy Program holds continuing accreditation from the CoARC.

The College provides programs in the areas of academics, health services, technical, corporate partnerships and apprenticeships, e-learning, high school programs, workforce development, audit education, and community education programs.

The College is governed by the Alabama Community College System Board of Trustees, who play a critical role in the education of hundreds of thousands of adults each year. The Trustees serve as guardians for the Alabama Community College System's missions and goals, with the Governor serving as chair of the Board by virtue of elected office. Remaining board members are appointed from eight districts, with one statewide member and an ex-officio liaison from the State Board of Education.

The board member duties include:

- designating rules and regulations for the government of community and technical colleges,
- prescribing the course of study to be offered and the conditions for granting certificates, diplomas and/or degrees,
- accepting gifts, donations, property, and devices for the benefit of community and technical colleges, and;
- establishing a performance-based allocation process that is equitable and compatible with the services and programs offered by each individual campus.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023 and 2022

Overview of Financial Statements

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements focus on the financial position, results of operations, and cash flows of the College as a whole.

The accompanying documentation presents the College's financial statements for fiscal years 2023, 2022, and 2021. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the College's financial statements provides an overview of financial activities for the years ended September 30, 2023, 2022 and 2021.

An overview of each statement for the College is presented herein along with a financial analysis of the transactions impacting each statement. When appropriate, comparative financial information is presented in the understanding of this analysis.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College at September 30, 2023. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and non-current) and deferred outflows of resources, as well as liabilities (current and non-current) and deferred inflows of resources with the difference between the two reported as net position. The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. Readers are able to determine the consumption of net position in one period attributable to future periods, deferred outflows of resources. They are also able to determine how much the College owes vendors, investors, and lending institutions. Readers are able to determine the acquisition of net position in one period attributable to future periods, deferred inflows of resources. In summary, the Statement of Net Position provides a picture of the College's assets and deferred outflows of resources in excess of its liabilities and deferred inflows of resources and the availability of the excess for expenditure by the College.

Net Position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the College's equity in property, plant, and equipment. The next category is Restricted Net Position, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable Restricted Net Position is available for expenditure by the College, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted Net Position, which is available to the College for any appropriate purpose.

The condensed statements of net position at September 30, 2023, 2022 and 2021, follow:

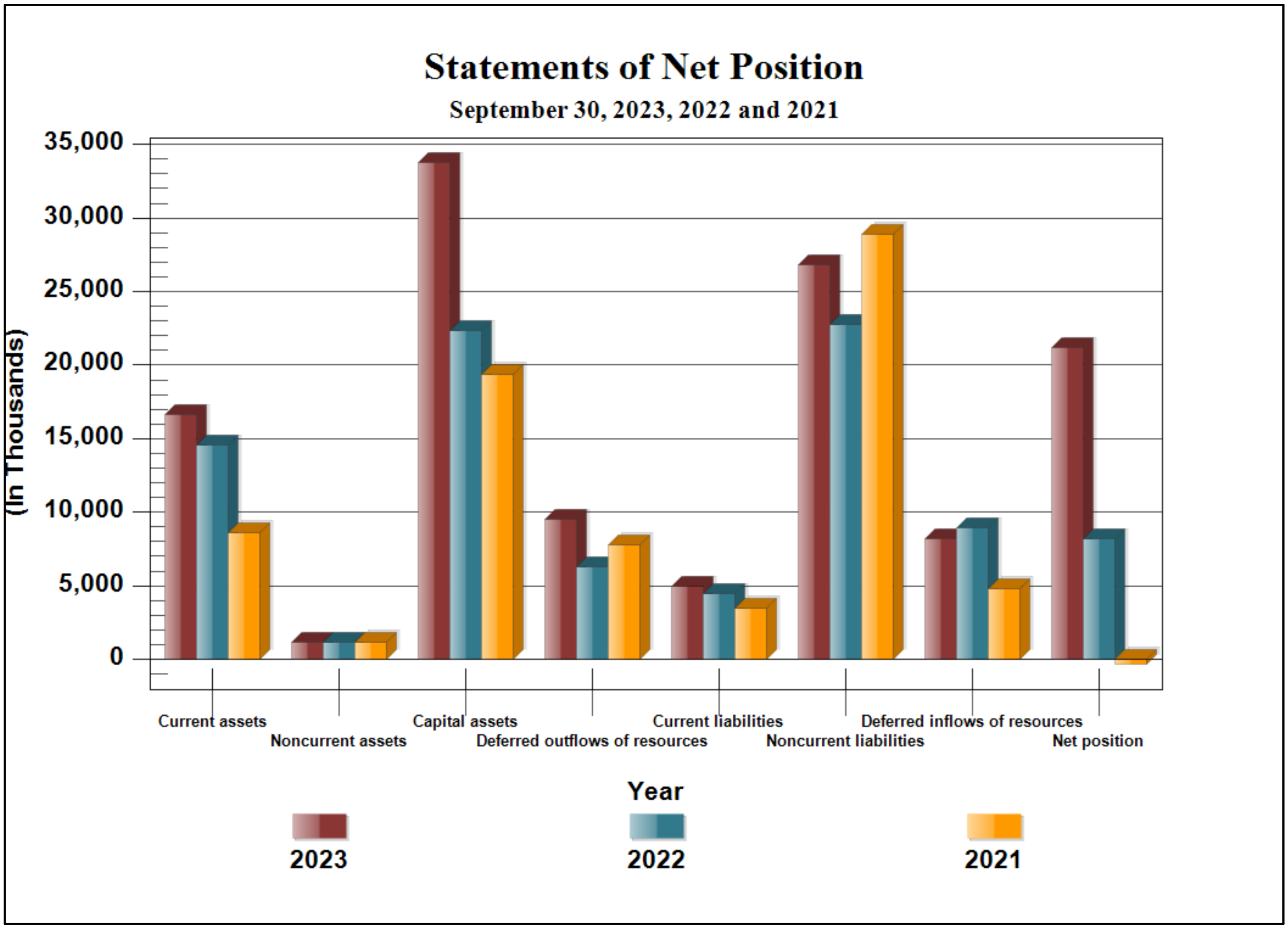
Summary Statements of Net Position

	2023	2022	2021
ASSETS			
Current assets	$ 16,660,007	$ 14,598,273	$ 8,576,323
Noncurrent assets	1,155,712	1,125,055	1,122,816
Capital assets	33,770,659	22,316,678	19,371,226
Total assets	51,586,378	38,040,006	29,070,365
Deferred outflows of resources:			
Related to defined benefit pension plan	6,857,818	3,671,310	4,520,280
Related to other postemployment benefits	2,641,220	2,658,698	3,229,590
Total deferred outflows of resources	9,499,038	6,330,008	7,749,870
Total assets and deferred outflows of resources	$ 61,085,416	$ 44,370,014	$ 36,820,235
LIABILITIES			
Current liabilities	$ 4,956,307	$ 4,500,302	$ 3,452,366
Noncurrent liabilities	26,807,318	22,760,520	28,902,853
Total liabilities	31,763,625	27,260,822	32,355,219
Deferred inflows of resources:			
Related to defined benefit pension plan	1,282,000	4,247,000	358,000
Related to other postemployment benefits	6,875,858	4,668,624	4,428,774
Total deferred inflows of resources	8,157,858	8,915,624	4,786,774
NET POSITION			
Net investment in capital assets	28,607,152	17,130,857	14,011,817
Unrestricted	(7,443,219)	(8,937,289)	(14,333,575)
Total net position	21,163,933	8,193,568	(321,758)
Total liabilities, deferred inflows of resources and net position	$ 61,085,416	$ 44,370,014	$ 36,820,235

Changes in Assets, Liabilities and Net Position

The College's total Net Position increased by $12,970,365 during the year ended September 30, 2023. The increase is attributable almost exclusively to a year over year increase in nonoperating revenues, which consisted of an increase of over $1,369,643 in state appropriations and an increase of approximately $4,030,018 in federal grants revenue. This increase in federal grants revenue was due to continued support provided by the Higher Education Emergency Relief Fund (HEERF) in response to the adverse effects of the COVID-19 pandemic. This support provided funding for several large capital projects during the fiscal year and will continue to do so in the coming fiscal year.

The following is a graphic presentation of the College's Statements of Net Position as of September 30, 2023, 2022, and 2021:



Statement of Revenues, Expenses and Changes in Net Position

Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. Readers of these financial statements should gain an understanding of the impact of the presentation of state appropriations as non-operating revenues as required by the Governmental Accounting Standards Board. The impact of the presentation is that the College continuously generates an operating loss. Typically, an operating loss suggests fiscal concerns which should be addressed by the

College's administration. The operating loss presented in these financial statements should be viewed in the appropriate context.

The College considers state appropriations to be an integral component of the fiscal viability of the College for without these appropriations the College would have severe difficulty in achieving its mission of providing accessible educational opportunities. The Statement of Revenues, Expenses, and Changes in Net Position presents a net increase in the Net Position for the year ending September 30, 2023.

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2023, 2022 and 2021, follow:

Summary Statements of Revenues, Expenses, and Changes in Net Position

	2023	**2022**	**2021**
Operating Revenues	$ 8,587,420	$ 8,221,627	$ 7,029,846
Operating Expenses	27,148,596	28,377,917	27,803,590
Operating Loss	(18,561,176)	(20,156,290)	(20,773,744)
Net Non-operating Revenues and Expenses	31,531,541	28,671,616	19,369,237
Increase (Decrease) in Net Position	12,970,365	8,515,326	(1,404,507)
Net position-beginning of the year	8,193,568	(321,758)	1,082,749
Net position-end of the year	$ 21,163,933	$ 8,193,568	$ (321,758)

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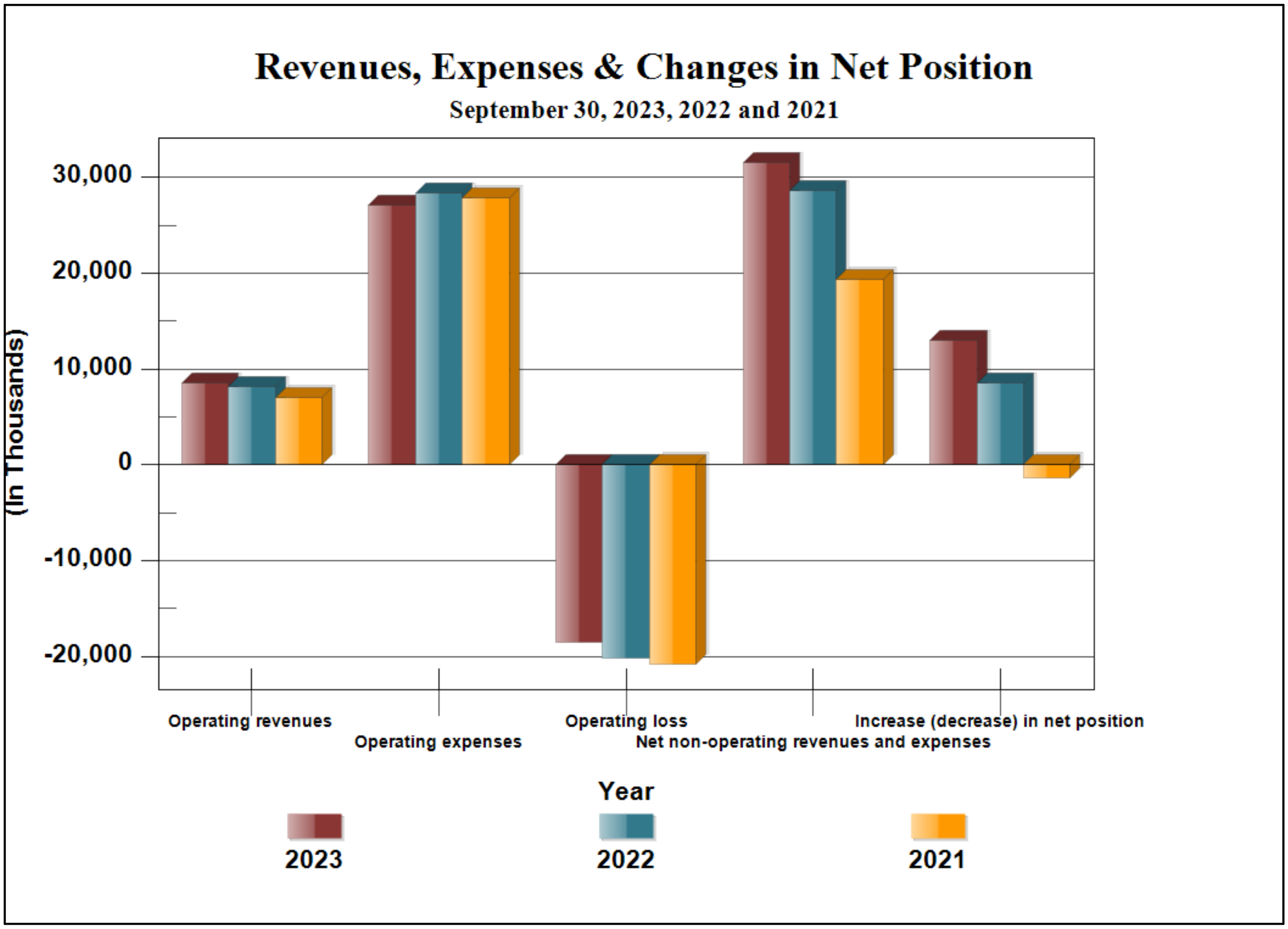
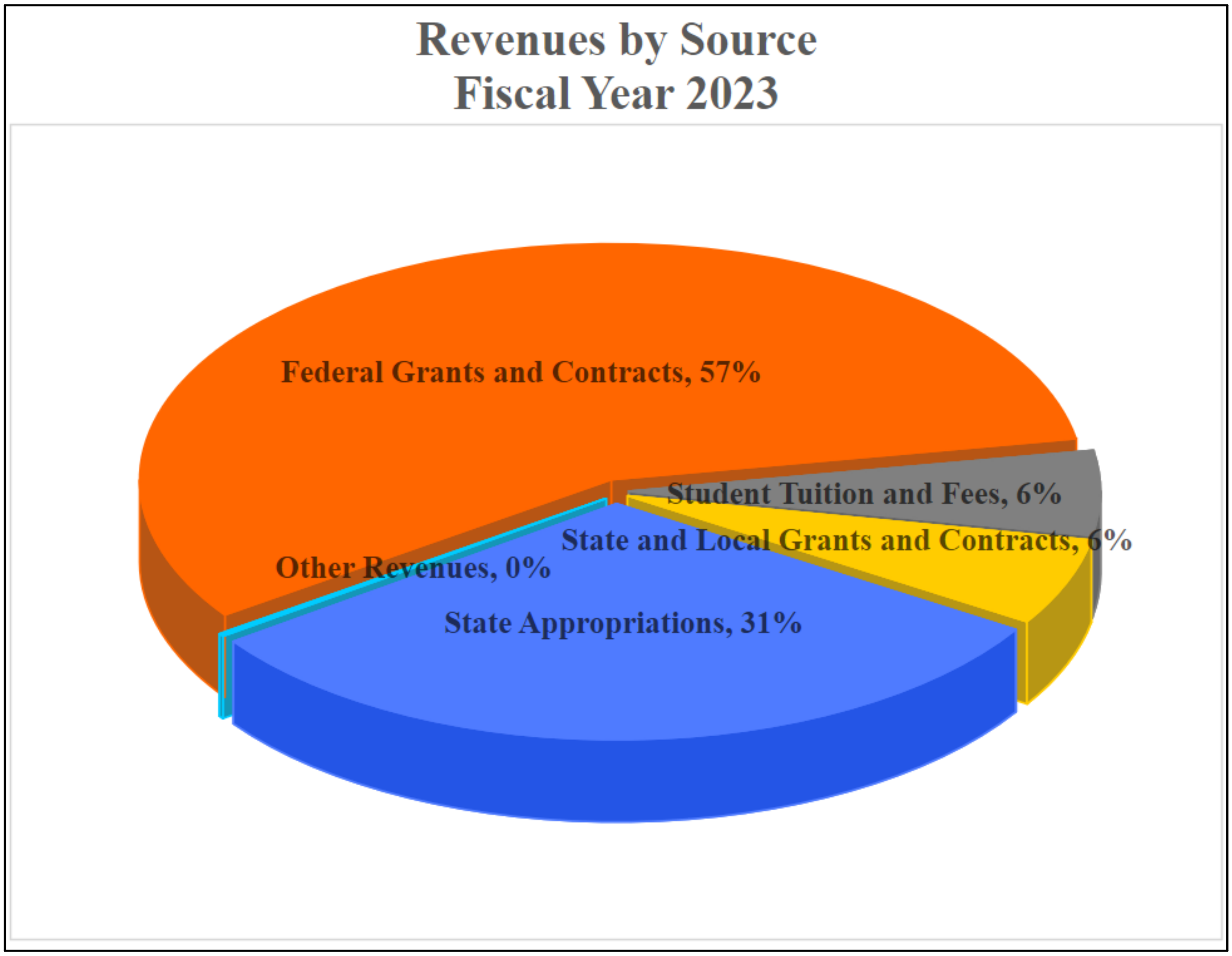
The following is a graphic presentation of the College's Statement of Revenues, Expenses & Changes in Net Position for the years ended September 30, 2023, 2022, and 2021:



Operating Revenues for the year ended September 30, 2023, increased $365,793 compared to the previous year. State grants and contracts increased over the previous year by $367,318. In addition, federal operating grants increased by $1,108,763. While gross student tuition and fees increased slightly, the student tuition and fees (net of scholarship allowances) decreased by $1,267,409 due to the adoption of an ACCS standardized calculation formula for tuition discount allowance and the resulting increase to that allowance amount. All other operating revenue sources were relatively stable for the year.

Operating Expenses for the year ended September 30, 2023, decreased approximately 4% in comparison to the prior year. Overall, operating expenses remained relatively unchanged from the prior year, with the exceptions being a decrease in Student Aid (due to the exhaustion of funds provided by HEERF for that specific purpose) and an increase in Institutional Support as direct pandemic response expenses increased from the prior year. Expenses for the nine major functions presented changed as follows: Instruction increased 5%; Academic Support decreased 5%; Student Services increased 17%; Institutional Support decreased 66%; Operation and Maintenance of Plant expenses decreased 8%; Student Aid decreased 64%; and Depreciation increased 10%. The College's enrollment increased slightly in 22-23, as impacts from the COVID-19 pandemic began to subside.

The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2023:



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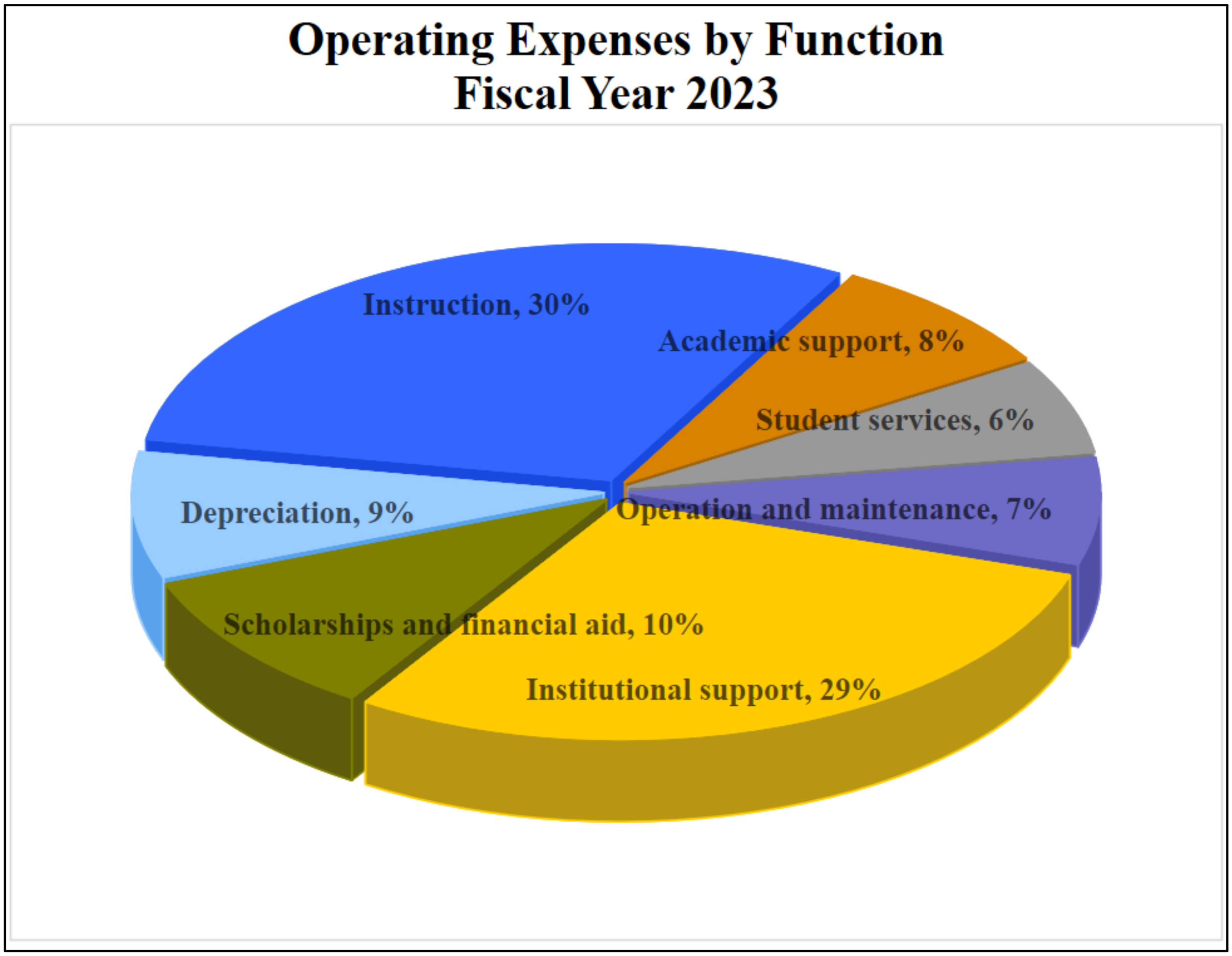
The following is a graphic presentation of operating expenditures by function for the fiscal year ended September 30, 2023:



Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The condensed Statements of Cash Flows for the years ended September 30, 2023, 2022 and 2021 is presented below:

Summary Statements of Cash Flows
(in thousands)

	2023	2022	2021
Cash Flows from Operating Activities	$ (13,030)	$ (22,914)	$ (20,179)
Cash Flows from Noncapital Financing Activities	31,427	28,787	21,678
Cash Flows from Capital and Related Financing Activities	(13,939)	(5,233)	(587)
Cash Flows from Investing Activities	175	17	4
Net Change in Cash	4,633	657	916
Cash, Beginning of Year	4,676	4,019	3,103
Cash, End of Year	$ 9,309	$ 4,676	$ 4,019

Economic Outlook

As is the case for our nation, state, citizens and businesses, the effects of the COVID-19 pandemic continue to be the single most influential item when discussing economic outlook. The state budget estimates for fiscal year 2023 for Education Trust Fund tax revenues again appear to be very promising and in excess of projections, but the general economic outlook is less optimistic. Inflation continued to be at 40 year highs for the majority of calendar year 2023, and a recession and/or deflation appears to be imminent. Given the state budget estimates for fiscal year 2023, it is expected that state appropriations will at least remain static and may very well increase for the coming fiscal year. However, given the current inflation pressures and fears of a looming recession, the College administration is keeping this risk of static or decreased state funding in the forefront of its planning. Federal pandemic support through the Higher Education Emergency Relief Fund (HEERF) expired on June 30, 2023, but the College was granted a 12 month extension on expending these funds for non-capital projects and a longer extension for capital projects in progress at the expiration date. The College will continue to utilize HEERF funding for lost revenues and any other eligible uses until the expiration of the extensions. While the College anticipates that enrollment numbers will slowly rebound as the public returns to normal operations in the midst of a post-pandemic world, it is anticipated that enrollment numbers will be below the pre-pandemic levels for several years to come. Historically, downturns in the economy lead to increases in the College's enrollment, and this could be beneficial in returning enrollment numbers to pre-pandemic levels. In spite of the potential negative economic outlook, the College administration expects to sustain positive financial stability during the years ahead. As evidences by the comparative financial statements presented (as well as the financial statements from recent prior years), the College administration emphasizes fiscal responsibility in preparing its budgets and adhering to those budgets throughout the year. As the College continues to grow with the SACSCOC accreditation, operating costs will increase to meet the demand of increased enrollment and additional program offerings. The College plans to utilize funds from the Title III-B grant to initially develop new program offerings. With rebounding enrollments and the continued support of state appropriations and federal HEERF funding, the College has a sound fiscal plan to operate without the use of its reserves to meet the College's needs in the next two years. The College is not aware of any currently known acts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year. The College anticipates the next two fiscal years will be challenging; however, the administration will maintain a close watch over resources to ensure the College's ability to respond proactively to internal and external issues, particularly as related to funding.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,308,552	$ 4,675,895
Accounts receivable, net	7,084,959	9,820,865
Other current assets	266,496	101,513
Total current assets	16,660,007	14,598,273
Noncurrent assets:		
Long-term investments	1,155,712	1,125,055
Capital assets:		
Land	3,502,564	474,470
Improvements other than building	6,588,335	6,588,335
Buildings and building alterations	26,813,549	26,813,549
Equipment and furniture	12,011,665	11,148,705
Library holdings	774,147	739,049
Leased right of use assets	1,049,710	435,756
Construction in progress	10,336,929	1,262,332
Less: Accumulated depreciation	(27,306,240)	(25,145,518)
Total capital assets, net of depreciation	33,770,659	22,316,678
Total noncurrent assets	34,926,371	23,441,733
Total assets	51,586,378	38,040,006
Deferred outflows of resources:		
Pension	6,857,818	3,671,310
Other postemployment benefits (OPEB)	2,641,220	2,658,698
Total deferred outflows of resources	9,499,038	6,330,008
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,173,998	1,808,039
Deposit liabilities	247,968	268,847
Unearned revenue	1,871,701	1,972,828
Compensated absences	48,840	41,655
Lease payable	372,537	176,619
Bonds payable	241,263	232,314
Total current liabilities	4,956,307	4,500,302
Noncurrent liabilities:		
Compensated absences	702,548	599,185
Lease payable	78,395	64,201
Bonds payable	4,629,567	4,870,660
Net pension liability	19,612,000	12,256,000
Net OPEB liability	1,784,808	4,970,474
Total noncurrent liabilities	26,807,318	22,760,520
Total liabilities	31,763,625	27,260,822

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONT'D)
September 30, 2023 and 2022

	2022	2021
Deferred inflows of resources		
Pension	1,282,000	4,247,000
Other postemployment benefits (OPEB)	6,875,858	4,668,624
Total deferred inflows of resources	8,157,858	8,915,624
NET POSITION		
Net investment in capital assets	28,607,152	17,130,857
Unrestricted	(7,443,219)	(8,937,289)
Total net position	$ 21,163,933	$ 8,193,568

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2023 and 2022

	2023	2022
REVENUES		
Operating revenues:		
Student tuition and fees (Net of scholarship allowances of $5,329,066 and $3,980,353 for 2023 and 2022, respectively)	$ 2,210,428	$ 3,477,837
Federal grants and contracts	4,021,299	2,912,536
State grants and contracts	1,986,112	1,618,794
Local grants and contracts	288,804	152,460
Sales and services of educational departments	41,814	-
Auxiliary enterprises	113	-
Nongovernmental grants and contracts	38,850	60,000
Total operating revenues	8,587,420	8,221,627
EXPENSES		
Operating expenses:		
Instruction	8,212,988	7,827,398
Public service	-	609
Academic support	2,208,248	2,323,162
Student services	1,755,831	1,500,762
Operation and maintenance	1,981,422	2,161,726
Institutional support	7,914,073	4,755,724
Scholarships and financial aid	2,735,124	7,687,187
Depreciation	2,340,910	2,121,349
Total operating expenses	27,148,596	28,377,917
Operating income (loss)	(18,561,176)	(20,156,290)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	11,897,508	10,527,865
Federal grants	19,557,805	15,527,787
Investment income (net of investment expense)	205,324	18,988
Gifts	500	8,000
Bond surety fee	(43,043)	(29,453)
Other nonoperating revenue (expense)	13,611	2,708,121
Interest on indebtedness	(100,164)	(89,692)
Net nonoperating revenues	31,531,541	28,671,616
Changes in net position	12,970,365	8,515,326
Total net position - beginning of the year	8,193,568	(321,758)
Total net position - end of the year	$ 21,163,933	$ 8,193,568

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,043,523	$ 2,840,991
Federal grants and contracts	8,118,289	360,009
Payments to suppliers	(7,084,227)	(4,854,036)
Payments to employees	(11,064,867)	(10,342,383)
Payments for benefits	(3,349,841)	(3,230,916)
Payments for scholarships	(2,735,124)	(7,687,187)
Payments for auxiliary enterprises	113	-
Payments for sales and services of educational activities	41,814	-
Net cash provided (used) by operating activities	(13,030,320)	(22,913,522)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	11,897,508	10,527,865
Federal grants	19,557,805	17,804,508
Bond surety fee	(43,043)	(46,046)
Other nonoperating revenue	15,110	500,692
Net cash provided (used) by noncapital financing activities	31,427,380	28,787,019
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(13,794,891)	(4,691,337)
Principal paid on capital debt	(613,843)	(399,935)
Interest paid on capital debt	(143,290)	(141,127)
Proceeds from capital debt	613,954	-
Other capital and related financing	(1,000)	(1,000)
Net cash provided (used) by capital and related financing activities	(13,939,070)	(5,233,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	205,324	16,749
Purchase of investments	(30,657)	-
Net cash provided (used) by investing activities	174,667	16,749
Net increase (decrease) in cash and cash equivalents	4,632,657	656,847
Cash and cash equivalents, beginning of the year	4,675,895	4,019,048
Cash and cash equivalents, end of the year	$ 9,308,552	$ 4,675,895
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (18,561,176)	$ (20,156,290)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,340,910	2,121,349
Changes in assets and liabilities:		
Receivables, net	2,735,907	(5,289,096)
Other assets	(144,000)	(76,007)
Deferred outflows	(3,169,030)	1,419,863
Accounts payable	365,958	523,864
Deposits held for others	(20,879)	(22,615)
Unearned revenue	(101,127)	367,091
Compensated absences	110,549	53,523
Net pension liability	7,356,000	(4,751,000)
Net OPEB liability	(3,185,666)	(1,233,054)
Deferred inflows	(757,766)	4,128,850
Net cash provided (used) by operating activities	$ (13,030,320)	$ (22,913,522)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of H. Councill Trenholm State Community College (the "College") are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the College to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Statutes authorize the College to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

Receivables

Accounts receivable relate to amounts due from federal grants, state grants, third party tuition, and student receivables. The receivables are shown net of allowance for doubtful accounts.

Capital Assets

Capital assets, other than intangibles, with a unit cost of over $5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is $1 million and $100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment > $25,000	Straight-Line	10 years
Equipment < $25,000	Straight-Line	5 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

As lessee, the College recognizes a lease liability and an intangible right-to-use lease asset in the financial statements and recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the College initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College uses its estimated incremental borrowing rate as the discount rate for leases.

The College's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds.

Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ***Net Investment in Capital Assets*** - Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- ***Restricted:***
  - ***Nonexpendable*** - Net position subject to externally imposed stipulations that they be maintained permanently by the College.

  - ***Expendable*** - Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- ***Unrestricted*** - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs

The College participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** *(Uniform Guidance).*

Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

Implementation of New Accounting Pronouncements

During the current fiscal year, the College implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- *GASB Statement No. 96, Subscription-based information technology arrangements*
- *GASB Statement No. 98, The Annual Comprehensive Financial Report*
- *GASB Statement No. 99, Omnibus 2022*

Future Governmental Accounting Standards Board Statements

The GASB issued the following new accounting pronouncements which the College may be required to implement subsequent to the 2023 fiscal year:

- *GASB Statement No. 100* - In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62.* The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No. 100 is effective for fiscal years beginning after June 15, 2023. The College has elected not to early implement this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- *GASB Statement No. 101* - In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain required disclosures. GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The College has elected not to early implement this statement.

The College has not yet determined the impact of these standards on the financial statements. When they become effective, application of these standards may restate portions of these financial statements.

Change in Presentation

Beginning October 1, 2022, the accounting presentation for uncollectible student accounts has been adjusted in accordance with GASB Implementation Guide 2015-1, which states that revenues in proprietary funds should be reported net of all related allowances--sales discounts and allowances and amounts pertaining to uncollectible accounts. As a result, the College is adjusting the presentation of its student tuition and fee revenues to reflect the net of the increase or decrease in the estimate of uncollectible accounts and the net decrease due to scholarship allowances. This change in presentation, which has no effect on the College's beginning net position, is in accordance with generally accepted accounting principles. The change in presentation is intended to provide a more accurate representation of the College's financial operational activities.

Change in Accounting Estimates

Beginning October 1, 2022, the accounting estimate for Allowance for Doubtful Accounts has been reevaluated. As a result, the College is adjusting the allowance to reflect the expected collectability of outstanding receivables more accurately. This change in estimate is in accordance with generally accepted accounting principles and is intended to provide a more accurate representation of the College's financial position.

The change in estimate resulted in an increase to Allowance for Doubtful Accounts and a decrease to Net Accounts Receivable in the amount of $246,970.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The College's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975,*** Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONT'D)

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit rating as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U.S. government are excluded from this requirement. Permissible investments include: 1) U.S. Treasury bills, notes, bonds, and stripped Treasuries 2) U.S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

The College's portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs.

In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is, 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years, and 2) U. S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program.

CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBSs shall not exceed seven years, while the maximum average life maturity of any one security shall noexceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The College shall not invest in stripped mortgage-backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONT'D)

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the "Alabama Uniform Prudent Management of Institutional Funds Act", Code of Alabama 1975, Section 19-3C-1 and following.

The Statement of Net Position investment classification consists of a non-negotiable certificate of deposit in the amount of $1,155,712. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note.

NOTE 3 - RECEIVABLES

Receivables are reported net of uncollectible amounts and are summarized as follows:

Accounts Receivable	**2023**	**2022**
Federal	$ 4,456,982	$ 6,901,691
State	894,048	819,474
Local	138,833	69,300
Third Party	582,706	881,359
Other	745,501	192,325
Total accounts receivable	6,818,070	8,864,149
Student Receivables		
Current	1,338,847	1,781,704
Less: Allowance for doubtful accounts	(1,071,958)	(824,988)
Total student receivable, net	266,889	956,716
Total receivables	$ 7,084,959	$ 9,820,865

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NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Land	$ 474,470	$ 3,028,094	$ -	$ -	$ 3,502,564
Improvements other than buildings	6,588,335	-	-	-	6,588,335
Buildings	14,737,803	-	-	-	14,737,803
Building alterations	12,075,746	-	-	-	12,075,746
Equipment	11,148,705	1,043,147	180,188	-	12,011,664
Library holdings	739,049	35,098	-	-	774,147
Lease right of use assets	435,756	613,954	-	-	1,049,710
Construction in process	1,262,332	9,074,597	-	-	10,336,929
Total	47,462,196	13,794,890	180,188	-	61,076,898
Less: Accumulated depreciation					
Improvements other than buildings	3,277,860	227,422	-	-	3,505,282
Buildings	9,099,547	338,531	-	-	9,438,078
Building alterations	4,582,293	532,376	-	-	5,114,669
Equipment	7,439,030	799,749	180,188	-	8,058,591
Library holdings	552,751	35,098	-	-	587,849
Lease right of use assets	194,037	407,734	-	-	601,771
Total accumulated depreciation	25,145,518	2,340,910	180,188	-	27,306,240
Capital assets, net	$ 22,316,678	$ 11,453,980	$ -	$ -	$ 33,770,658

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Reclassification/ Adjustments	Ending Balance
Land	$ 474,470	$ -	$ -	$ -	$ 474,470
Improvements other than buildings	6,588,335	-	-	-	6,588,335
Buildings	14,737,803	-	-	-	14,737,803
Building alterations	11,275,387	800,359	-	-	12,075,746
Equipment	9,545,517	2,583,736	(980,548)	-	11,148,705
Library holdings	737,273	1,776	-	-	739,049
Lease right of use assets	-	435,756	-	-	435,756
Construction in process	5,656	2,057,035	(800,359)	-	1,262,332
Total	43,364,441	5,878,662	(1,780,907)	-	47,462,196
Less: Accumulated depreciation					
Improvements other than buildings	3,048,755	229,105	-	-	3,277,860
Buildings	8,688,075	411,472	-	-	9,099,547
Building alterations	4,049,917	532,376	-	-	4,582,293
Equipment	7,673,831	734,245	(969,046)	-	7,439,030
Library holdings	532,637	20,114	-	-	552,751
Lease right of use assets	-	194,037	-	-	194,037
Total accumulated depreciation	23,993,215	2,121,349	(969,046)	-	25,145,518
Capital assets, net	$ 19,371,226	$ 3,757,313	$ (811,861)	$ -	$ 22,316,678

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member’s annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Contributions

Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were $1,259,000 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the College reported a liability of $19,612,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College's proportion was 0.121960% which was a decrease of 0.003903% from its proportion measured as of September 30, 2021.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

For the year ended September 30, 2023, the College recognized pension expense of $1,258,818. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
	(In Thousands)	
Differences between expected and actual experience	$ 431	$ 476
Changes of assumptions	890	-
Net difference between projected and actual earnings on pension plan investments	3,935	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	343	806
Employer contributions subsequent to the measurement date	1,259	-
Total	$ 6,858	$ 1,282

The amount of $1,259,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending (In Thousands)		
September 30, 2024	$	1,335
2025	$	963
2026	$	528
2027	$	1,491
2028	$	-
Thereafter	$	-

Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return(*)	7.45%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2021, valuation were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Mortality rates were based on the Pub-2010 Teacher tables, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback(-)	Adjustment to Rates
Service Retirees	Teacher Retiree-Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages <69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	15.00 %	2.80 %
U.S. Large Stocks	32.00 %	8.00 %
U.S. Mid Stocks	9.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	12.00 %	9.50 %
International Emerging Market Stocks	3.00 %	11.00 %
Alternatives	10.00 %	9.00 %
Real Estate	10.00 %	6.50 %
Cash Equivalents	5.00 %	2.50 %
Total	100.00 %	

*Includes assumed rate of inflation of 2.00%

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D)

Sensitivity of the College's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Proportionate share of collective net pension liability	$ 25,377	$ 19,612	$ 14,756

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the ***Code of Alabama 1975,*** Section 16-25A-4, (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees.

Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The ***Code of Alabama 1975,*** Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan.

The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Contributions

The ***Code of Alabama 1975,*** Section 16-25A-8, and the ***Code of Alabama 1975,*** Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

OPEB Liabilities. OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2023, the College reported a liability of $1,784,808 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the Net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the College's proportion was 0.10243103%, which was a decrease of 0.00623103% from its proportion measured as of September 30, 2021.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

For the year ended September 30, 2023, the College recognized OPEB expense of $(817,509) with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 81,858	$ 3,608,735
Changes of assumptions	1,447,723	2,597,896
Net difference between projected and actual earnings on OPEB plan investments	224,457	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	746,171	669,227
Employer contributions subsequent to the measurement date	141,011	-
Total	$ 2,641,220	$ 6,875,858

The $141,011 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ending	
September 30, 2024	$ (1,017,105)
2025	$ (1,136,730)
2026	$ (593,100)
2027	$ (530,349)
2028	$ (682,263)
Thereafter	$ (416,102)

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NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75% wage inflation
(2) Compounded annually, net of investment expense, and included inflation
(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.

The rate of mortality were based on the Pub-2010 Public Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% beginning with year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below:

Group	Membership Table	Set Forward(+)/Set back (-)	Adjustment to Rates
Active members	Teacher Retiree-Below Median	None	65%
Service Retirees	Contingent Survivor Below Median	Male: +2, Female: None	Male: 108% ages <63, 96% ages >67; Phasing down 63-67 Female: 112% ages <69, 98% >74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +2, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00 %	4.40 %
U.S. Large Stocks	38.00 %	8.00 %
U.S. Mid Stocks	8.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	15.00 %	9.50 %
Cash	5.00 %	1.50 %
Total	100.00 %	

* Geometric mean, includes 2.5% inflation.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONT'D)

Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare and Known decreasing to 3.50% for Medicare eligible	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare and Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare and Known decreasing to 5.50% for Medicare eligible
College's proportionate share of the collective net OPEB liability	$ 1,353,424	$ 1,784,808	$ 2,313,860

Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of collective net OPEB liability	$ 2,206,652	$ 1,784,808	$ 1,430,683

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 7 - HEALTH INSURANCE AND UNEMPLOYMENT COMPENSATION

Health Insurance

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied

NOTE 7 - HEALTH INSURANCE AND UNEMPLOYMENT COMPENSATION (CONT'D)

against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

(Note: If settlements have exceeded insurance coverage during any of the three previous fiscal years, it should be so stated. Also, if significant reductions in insurance coverage have occurred from previous years, a description, by major categories of risk, should be included.)

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

Unemployment Compensation

The College is liable for unemployment claims paid by the Unemployment Compensation Trust Fund which are attributable to service in the employ of the College. The College makes advance payment to this fund to meet this liability in accordance with the Unemployment Compensation Act of Alabama (Code of Alabama 1975, #25-4-1 through #25-4-148). At September 30th of each year, excess of advance payments over net unemployment compensation paid is due to the College from the Unemployment Compensation Trust Fund. Any excess of net unemployment compensation paid over advance payments results in a liability to the College which must be satisfied within ten days after the College is notified of the amount of the liability.

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2023, the College had been awarded approximately $35,062,338 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$ 4,945,000	$ -	$ 210,000	$ 4,735,000	$ 220,000
Premium	157,974	-	22,144	135,830	21,143
Total Bonds Payable	5,102,974	-	232,144	4,870,830	241,143
Other Liabilities:					
Lease Obligations	240,821	613,954	403,843	450,932	372,537
Compensated absences	640,838	110,550	-	751,388	48,840
Total Long-Term Liabilities	$ 5,984,633	$ 724,504	$ 635,987	$ 6,073,150	$ 289,983

NOTE 9 - LONG-TERM LIABILITIES (CONT'D)

Long-term liabilities activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$ 4,945,000	$ -	$ 210,000	$ 4,735,000	$ 220,000
Premium	157,974	-	22,144	135,830	21,263
Total Bonds Payable	5,102,974	-	232,144	4,870,830	241,263
Other Liabilities:					
Lease Obligations	240,821	613,954	403,843	450,932	-
Compensated absences	640,839	110,549	-	751,388	48,840
Total Long-Term Liabilities	$ 5,743,813	$ 724,503	$ 635,987	$ 6,073,150	$ 290,103

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds.

Principal and interest maturity requirements on bond debt are as follows:

	Revenue Bonds		
Fiscal Year	**Principal**	**Interest**	**Total**
2023-2024	220,000	127,583	347,583
2024-2025	225,000	120,983	345,983
2025-2026	230,000	114,233	344,233
2056-2027	240,000	105,033	345,033
2027-2028	250,000	95,433	345,433
2028-2029	260,000	85,433	345,433
2029-2030	265,000	77,633	342,633
2030-2031	275,000	69,683	344,683
2031-2032	285,000	64,183	349,183
2032-2033	285,000	58,483	343,483
2033-2034	290,000	52,783	342,783
2034-2035	300,000	44,083	344,083
2035-2036	310,000	37,708	347,708
2036-2037	315,000	30,733	345,733
2037-2038	320,000	23,645	343,645
2038-2039	330,000	16,045	346,045
2039-2040	335,000	8,208	343,208
Total	$ 4,735,000	$ 1,131,885	$ 5,866,885

Pledged Revenues

The College has pledged student tuition and fee revenue to repay $5,150,000 in Revenue Bond Series 2020 issued in November 2020, for the purpose of redemption and prepayment of Revenue Bonds, Series 1995 and 2010, originally issued in aggregate principal amounts of $2,000,000 and $5,550,000, respectively and outstanding in the amounts of $590,000 and $4,910,000, respectively.

NOTE 9 - LONG-TERM LIABILITIES (CONT'D)

Future revenues in the amount of $5,866,885, are pledged to repay principal and interest on the bonds at September 30, 2023. These bonds are scheduled to mature in 2040.

Defeased Debt

On November 19, 2020, the College issued $5,150,000 in revenue bonds with 2% to 4% interest rate to refund the H. Councill Trenholm State Community College Revenue Series 1995 Bonds and Recovery Zone Economic Development Revenue Series 2010 Bonds. The Series 1995 Bond were outstanding in the amount of $590,000 and the Series 2010 Bond were outstanding in the amount of $4,910,000. The net proceeds of the 2020 Series Bonds, after payment of issuance costs, totaled $5,246,754. The proceeds from the new bond were placed with an escrow agent along with the remainder of the Series 1995 Bond Fund deposits of $159,785 and Series 1995 Maintenance Reserve deposits of $225,768 to provide for the redemption of the 1995 Bonds on February 1, 2021 and the 2010 Bonds on December 19, 2020.

The bonds were redeemed in an amount equal to 100% of the outstanding principal amount of the bonds plus accrued interest. As a result, the 1995 and 2010 Series Bonds were considered to be defeased. The related liabilities have been removed.

The current refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. However, due to the refunding, the College reduced its total debt service requirements by $1,004,178 which resulted in an economic gain of $541,329.

NOTE 10 - LEASES

Lease liability

For the years ended September 30, 2023 and 2022, the College's financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lesseee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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NOTE 10 - LEASES (CONT'D)

The College leases a builiding, office space and certain items of office equipment. These assets are recognized as right of use leased assets with a corresponding lease liability. The lease liability has been discounted ranging 0.25% - 2.71%, the stated interest rates on the lease contracts. Details for the assets and liabilities are as follows:

	2023	2022
Right of use assets	$ 1,049,710	$ 435,756
Less: accumulated amortization	(636,870)	(194,038)
Net right of use assets	$ 412,840	$ 241,718

Fiscal Years	Principal	Interest	Total
2023-2024	$ 372,537	$ 6,705	$ 379,242
2022-2024	78,395	354	78,749
Totals	$ 450,932	$ 7,059	$ 457,991

NOTE 11 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties.

The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $2 million per occurrence and is self-insured up to a maximum of $6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed $6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Dean of Business Services, Financial Aid Director, and all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

REQUIRED SUPPLEMENTARY INFORMATION

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	0.126196 %	0.130099 %	0.137489 %	0.130856 %	0.129024 %	0.122133 %	0.116333 %	0.127394 %	0.133789 %
College's proportionate share of the net pension liability	$ 19,612	$ 12,256	$ 17,007	$ 14,469	$ 12,828	$ 12,004	$ 12,594	$ 13,333	$ 12,154
College's covered payroll during the measurement period	$ 9,816	$ 9,446	$ 9,650	$ 9,312	$ 8,600	$ 8,125	$ 7,387	$ 8,034	$ 8,479
College's proportional share of the net pension liability as a percentage of payroll	200.00 %	129.75 %	176.24 %	155.38 %	149.16 %	147.74 %	170.49 %	165.96 %	143.34 %
Plan fiduciary net position as a percentage of the total pension liability	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to schedule:
Per GASB 82, which amends GASB 68 covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this Schedule is for the measurement period, which for the September 30, 2023 year is October 1, 2021 - September 30, 2022.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
For the years ended September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,259	$ 1,141	$ 1,134	$ 1,168	$ 1,138	$ 1,037	$ 952	$ 877	$ 910
Contributions in relation to the contractually required contribution	1,259	1,141	1,134	1,168	1,138	1,037	952	877	910
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 10,279	$ 9,816	$ 9,651	$ 9,651	$ 9,312	$ 8,601	$ 8,125	$ 7,387	$ 8,034
Contributions as a percentage of covered payroll	12.25 %	11.62 %	11.75 %	12.10 %	12.22 %	12.06 %	11.72 %	11.87 %	11.33 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68 covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2023, the measurement period for covered payroll is October 1, 2022 through September 30, 2023.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

See Accompanying Notes to the Required Supplementary Information for Net Pension Liability.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
NET PENSION LIABILITY

NOTE 1 - CHANGES OF BENEFIT TERMS

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In 2021, the plan was amended to allow sick leave conversion for Tier II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member contribution rates were increased from 5.00%(6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. Members hired on or after January 1, 2013 (Tier II), are covered under a new benefit structure, as follows:

(i) A service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).

(ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest five years in the last 10 years of Creditable Service).

(iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

NOTE 2 - CHANGES OF ASSUMPTIONS

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, include a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

In 2018, the discount rate was changed from 7.75% to 7.70%.

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality as changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted

NOTE 2 - CHANGES OF ASSUMPTIONS (CONT'D)

105% for males and 120% for females. In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted tomore closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
September 30*
(Dollar Amount In Thousands)

	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	0.102431 %	0.096200 %	0.095588 %	0.111188 %	0.104177 %	0.096521 %
College's proportionate share of the net OPEB liability	$ 1,785	$ 4,970	$ 6,204	$ 4,195	$ 8,562	$ 7,169
College's covered payroll during the measurement period	$ 9,628	$ 9,446	$ 9,248	$ 9,683	$ 8,762	$ 8,135
College's proportional share of the net OPEB liability as a percentage of its covered payroll	18.54 %	52.61 %	67.08 %	43.32 %	97.72 %	88.12 %
Plan fiduciary net position as a percentage of the total OPEB liability	48.39 %	27.11 %	19.80 %	28.14 %	14.81 %	15.37 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
For the years ended September 30*
(Dollar Amount In thousands)

	2023	2022	2021	2020	2019	2019
Contractually required contribution	$ 141	$ 193	$ 162	$ 202	$ 315	$ 263
Contributions in relation to the contractually required contribution	141	193	162	202	315	263
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered employee payroll	$ 10,141	$ 9,628	$ 9,446	$ 9,248	$ 9,683	$ 8,762
Contributions as a percentage of covered employee payroll	1.39 %	2.00 %	1.72 %	2.18 %	3.25 %	3.00 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Accompanying Notes to the Required Supplementary Information for Other Postemployment Benefits.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

NOTE 1 - CHANGES IN ACTUARIAL ASSUMPTIONS

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

NOTE 2 - RECENT PLAN CHANGES

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

NOTE 3 - METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2019, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medical Eligible	4.75%
Year of Ultimate Trend Rate:	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

(**) Initial Medicare claims are set based on scheduled increases through plan year 2022

SUPPLEMENTAL INFORMATION

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of the
Alabama Community College System and the President of
H. Councill Trenholm State Community College
Montgomery, Alabama

We have audited the financial statements of Trenholm State Community College as of and for the year ended September 30, 2023, and have issued our report thereon dated January 16, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Birmingham, Alabama
January 16, 2024

Banks, Finley White & Co.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Pass-Through Grantor's No.	Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Direct programs:			
Federal Pell Grant Program	84.063		$ 7,066,627
Federal Supplemental Educational Opportunity Grants	84.007		96,006
Federal Work-Study Program	84.033		94,729
Total Student Financial Assistance Cluster			7,257,362
Research and Development Cluster:			
Direct program:			
Higher Education - Institutional Aid	84.031	N/A	2,777,698
Total Research and Development Cluster			2,777,698
TRIO Cluster:			
Direct program:			
TRIO - Upward Bound	84.047		257,859
Total TRIO Cluster			257,859
Direct program:			
COVID-19 HEERF - Student Aid Portion	84.425S		977,509
COVID-19 HEERF - Institutional Aid Portion	84.425F		1,080,575
COVID-19 HEERF - Institutional Aid Portion	84.425		409,926
COVID-19 HEERF - HBCUs	84.425J		10,240,941
Total COVID-19 HEERF			12,708,951
Passed-through Alabama Community College System:			
Adult Education - Basic Grants to States	84.002	0922AE098	267,816
Passed-through Alabama State Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A200001	243,666
Total U.S. Department of Education			23,513,352
Passed-through Alabama Community College System:			
H-1B Job Training Grant	17.268	HG-33165-19-60-A-1	76,927
Total U.S. Department of Labor			76,927
Total Expenditures of Federal Awards			$ 23,590,279

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of H. Councill Trenholm State Community College (the "College") under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The SEFA presents only a selected portion of the operations of the College; therefore, it is not intended to and does not present the financial position, changes in net assets or cash flows where applicable of the College.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of the
Alabama Community College System and the President of
H. Councill Trenholm State Community College
Montgomery, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of H. Councill Trenholm State Community College (the "College"), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

617 THIRTY-SEVENTH STREET SOUTH• BIRMINGHAM, ALABAMA 35222• (205) 326-6660

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Birmingham, Alabama
January 16, 2024

Banks, Finley, White & Co.

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of the
Alabama Community College System and the President of
H. Councill Trenholm State Community College
Montgomery, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited H. Councill Trenholm State Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Birmingham, Alabama
January 16, 2024

Banks, Finley White & Co.

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2023

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? _____Yes __X__No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____Yes __X__None reported

Noncompliance material to financial statements noted? _____Yes __X__No

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ____Yes _X_No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____Yes _X_None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance*? ____Yes _X__No

Identification of major programs:

Federal Assistance Listing No.	Name of Federal Program or Cluster
84.007,84.033,84.063	Student Financial Assistance Cluster
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _____Yes __X__No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2023

2022-001
Bank Account Reconciliation

Condition: This finding was a material weakness stating that the College did not properly reconcile the amounts shown in its bank accounts to the amounts shown in its accounting records.

Recommendation: The auditors recommended that the College follow the Cash Handling procedures as set out in the Fiscal Procedures Manual as described by the Alabama Community College System Board Policy *301.02: Accounting Procedures* and prepare bank reconciliations monthly with all discrepancies resolved. In addition, reconciliations should be performed by someone outside the cash receipt and disbursement processes, when possible and reviewed and approved by a separate knowledgeable individual.

Current Status: No similar finding noted in the 2023 audit.

2022-002
Reconciliation of Restricted Accounts Receivable and Unearned Revenue

Condition: This was a material weakness stating that the College faled to properly reconcile restricted accounts receivable and unearned revenue at year end.

Recommendation: The auditors recommended that the College design and implement internal controls to ensure year-end receivables and unearned revenue blaances are properly calculated and reported on the financial statements and reconciled in accordance with the Fiscal Procedures Manual.

Current Status: No similar finding noted in the 2023 audit.

OTHER INFORMATION

H. COUNCILL TRENHOLM STATE COMMUNITY COLLEGE
COLLEGE OFFICIALS
October 1, 2022 through September 30, 2023

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Kemba Chambers	President
Brian N. Harrison, CPA	Regional Chief Financial Officer – ACCS